

BULKY DOCUMENTS

(Exceeds 100 pages)

Filed: 04-16-2013

Title: Notice Of Reliance and Stipulated Evidence

Part: 2 of 3

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National Avg Rate	Currer	it Las	l Week
30yr fixed	3.29%	6	3.22%
15yr fixed	2.61%	6	2.60%
5/1 ARM	2.54%	6	2.44%
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All Real Estate Advice Topics

What are my options for refinancing an FHA loan to a Conventional Loan

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Who is responsible for winterizing a home for Short Sale? And what about as is

thavr, a sale of agreement for a Short Sale, we looked all property when it was warm tot and there — 2 Answers

Mortgage Question

Greetings Tribed some assistance with undersording HARP and other programs I may be able to use — 1 Answer

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15yr fixed	2.61	1%	2.60%
5/1 ARM	2.54	1%	2.44%
Live Rates			
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How long does it take to have a review become viable on Zillow?

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- find out how much my house is worth
- Where did incorrect sale price come from?

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15yr fixed 5/1 ARM 2.61% 2.60% 2.54% 2.44%

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3.29% 3.22% 2.61% 2.60%

2.54% 2.44%

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Homes for Rent

Find homes, apartments, condos, and townhouses for rent in any area, and filter by price, beds, baths, and more. Search for pet-friendly rentals and rentals with parking.

Search homes for rent



Rent Zestimates

Use the Rent Zestimate as a starting point in determining the estimated monthly rental price for a specific property.

Learn about Rent Zestimates



Compare Rental vs. Mortgage Cost

Zillow offers a unique comparison search to see the monthly cost to rent an apartment vs. cost for a mortgage in that location. You can see and compare rentals and for sale listings side-by-side according to monthly payment.

Compare homes for sale and homes for rent



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Get notified by e-mail when new homes for rent are added to Zillow that match your search criteria. Just complete a search and click the "E-mail Alerts" link above the map.

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Need to rent in a new city or neighborhood? Visit Zillow's Local Pages to learn about schools and the types of people who live there.

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Sell your home faster by adding a Zillow Special Offer to your listing. It's designed to attract buyers. Ask your agent.

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Learn More About Special Offers FAQ

Why do some listings have a Zillow Special Offer?

A listing agent and home seller can include a Zillow Special Offer on a home to bring added visibility to a listing. Some reasons include:

- The seller wants to give the new listing an added "splash" when it first becomes available.
- The home has been listed for a while and the seller is reconsidering moving if the home does not sell soon.
- The seller is buying a home contingent on selling his/her current one, and wants to sell quickly.

Who is paying for it, the seller or the agent?

The seller pays for the Zillow Special Offer. As the buyer, you must ensure that the Special Offer is included in the Purchase and Sale agreement when you purchase the home. If it is not, you have no promise or guarantee that you will receive the Special Offer from the seller.

How do I make sure I get the Special Offer?

- · Contact the agent on the listing page and tell them you found the home on Zillow and ask about the Zillow Special Offer.
- Make sure you work with your agent to put the Special Offer in the Purchase and Sale agreement for the home.

What is a typical Special Offer?

The Special Offer is a credit towards closing costs provided by the seller.

How does a Special Offer affect me as a buyer?

It's an added bonus for a buyer. Not only do you buy a house you love, but you get the added benefit of what is contained in the Special Offer. Note that simply "seeing" the Zillow Special Offer does not make the offer yours – you must buy the home to qualify for the offer. Then, it is your responsibility to make sure the offer is included in the Purchase and Sale agreement during closing.

Why doesn't the seller just cut the price?

In many markets, price cuts are not enough to make a house stand out. A Zillow Special Offer brings added visibility to a listing because it is highly noticeable. But, if you'd rather have a price cut than a Zillow Special Offer, talk with the seller's agent to see if they are open to that adjustment.

What are other advantages of a Zillow Special Offer?

It can give a buyer more means to improve or furnish their home after the sale. Getting a loan can often require a sizable down payment, and after closing costs, the buyer may be left with little cash left over to buy items for the house.

Here's an example

Take a buyer who has saved \$45,000 in cash. He wants to buy a \$200,000 home, and needs \$40,000 for a down payment (20%) and \$5,000 for closing costs. If the home's price was cut by \$5,000 to \$195,000, he still needs to pay \$44,000 to cover the reduced \$39,000 down payment and \$5,000 in closing costs. He would be left with only \$1,000 to spend on the home.

However, if he buys a home with a \$5,000 Special Offer that covers all of the closing costs, he would only need to cover the \$40,000 down payment, and he would have \$5,000 left to spend on the home after the sale is complete.

Can I apply it to a gift card instead of use it for closing costs?

Yes, you can. But, you should talk to your agent and lender to understand any potential impact to the loan, or loan approval process, and understand the process/timeline of receiving a gift card after closing.

I'm an agent and I want to put a Special Offer on a home

Only Zillow Premier Agents can put Special Offers on homes. Learn more about becoming a Premier Agent.

How does Zillow benefit?

Zillow is a media company and does not receive a part of the commission when a home sells. This also applies to home sales which involve a Special Offer. Only Zillow Premier Agents who are paying Zillow to advertise are able to put Special Offers on their listings.

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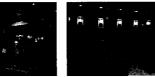


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5/1 ARM	2.53%	2.44%

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Mountain Home, ID	2.88%	****
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Listings are free and are displayed for 60 days. Premier Agents' listings are featured at the top of search results. You can add unlimited photos, open house info, and all of your contact information. All leads flow directly to you.

See a sample home for sale

There are two ways to post your listings on Zillow:

- · Manually enter your listings
- Send us a feed (best for 50+ listings)

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Become a Zillow Premier agent and advertise your listings or your personal brand. The ads are targetable by city or ZIP code.

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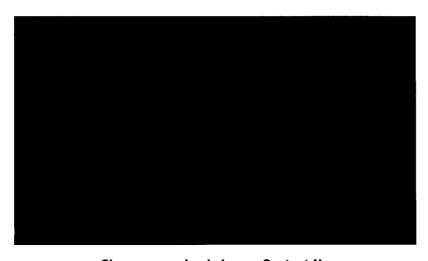
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Buy Ads									
Premier Agent Program									
Testimonials									
Video Testimonials									
Professional Videos	5								
FAQ									
Zillow Refer An Age	ent								
Contact Us									
Widgets / Facebo Apps	ok								

Promote Yourself on the Largest Real Estate Network in the U.S.*

(Marketing at its best on Zillow and YAHOO! HOMES)



Choose your plan below or <u>Contact Us</u>

	Premier Platinum	Premier Gold	Premier Silver
	Get more buyers	Promote your listings	Get a world-class website
	Varies by ZIP code	Sign up for \$49/mo »	Sign up for \$10/mo »
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Branding in your area	✓		
Feature your listings	✓	~	
Your photo on the listings	✓	4	
Client listing report	~	•	
	✓	✓	~

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CRM tools

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* Source comScore Media Metrix Real Estate Category Ranking by Unique Visitors. September 2012, US Data

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Free Co-Branding on Zillow

What is it?

If you place a Zillow URL on your Web site or blog with special coding, and it's clicked, your photo, contact info and link to your Web site appear at the top of each Zillow page they see.

Why Use it?

- Co-branding boosts your visibility among the visitors you send from your Web site to Zillow.
- Your contact information follows visitors throughout their session on Zillow.
- Simply add the parameter
 "#{scrnnm=zillowscreenname}" to the end of
 any URL that links to Zillow, and substitute
 your Zillow account screen name for
 "zillowscreenname." If you don't know your
 screen name, you can find it by clicking on
 My Zillow.
- If you have spaces in your screen name, replace them with dashes when appending this code to your links.

For example:

- · Zillow screen name: Firstname Lastname
- Co-Branding code: #{scrnnm=Firstname-Lastname}
- For example, to link to the Zillow home page: http://www.zillow.com/#{scrnnm=Firstname-Lastname}

Add valuable information to your Web site or blog today!

- Zillow API
- · Real Estate and Mortgage Rate Widgets
- Link to Zillow



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~	Region ^	M-o-M	Q-o-Q	Y-0-Y	Nov 2012
	US	-0.6 %	~ 2.5 %	▲ 5.2 %	\$ 156,200
	Akron Metro	▲ 0.6 %	2.1 %	2.6 %	\$ 107,600
	Albany Metro	▲ 0.3 %	2.2 %	▲ 2.0 %	\$ 180,700
0	Albuquerque Metro	▲ 1.4 %	- 0.4 %	▼-4.1 %	\$ 157,300
•	Allentown Metro	▲ 0.2 %	1.3 %	▼-1.6 %	\$ 167,300
	Amarillo Metro	2.0 %	- 1.6 %	4 3.6 %	\$ 109,800
	Anchorage Metro	▲ 0.5 %	▲ 2.4 %	▲ 4.3 %	\$ 294,300
	Ann Arbor Metro	▲ 0.8 %	4.0 %	4 6.3 %	\$ 170,900
	Appleton Metro			. –	-
	Asheville Metro	▲ 0.4 %	▼ -0.1 %	▼-1.6 %	\$ 161,600
	Atlanta Metro	▲ 0.4 %	- 1.6 %	▼-1.4 %	\$ 113,200
	Atlantic City Metro	▲ 0.1 %	a 0.9 %	▼-2.4 %	\$ 181,500
	Augusta Metro	▼ -1.6 %	▼-1.2 %	▼-3.1 %	\$ 81,400
	Austin Metro	▼-1.1 %	▲ 0.1 %	1.4 %	\$ 175,800
	Bakersfield Metro	4 1.7 %	▲ 5.5 %	▲ 11.2 %	\$ 129,200
	Baltimore Metro	▲ 0.1 %	1.4 %	▲ 2.2 %	\$ 220,900
	Baton Rouge Metro	▼-0.1 %	▲ 0.5 %	2.4 %	\$ 142,800
	Bend Metro	▲ 0.4 %	▲ 3.0 %	▲ 6.8 %	\$ 194,300
	Binghamton Metro	▲ 0.4 %	2.5 %	- 2.3 %	\$ 101,100
_	Birmingham Metro	▲ 0.7 %	- 1.4 %	▲ 0.5 %	\$ 117,000
	Boise City Metro	_	_		_
	Boston Metro	▲ 0.6 %	▲ 1.9 %	4.0 %	\$ 316,600
	Boulder Metro	▲ 0.4 %	2.0 %	▲ 4.9 %	\$ 317,800
	Bremerton Metro	▲ 0.2 %	▲ 0.3 %	▼-2.2 %	\$ 231,800
	Buffalo Metro	▲ 1.3 %	a 3.3 %	▲ 4.9 %	\$ 118,900
	Burlington Metro	▼-1.1 %	▼-0.4 %	▼-4.0 %	\$ 109,400
	Burlington Metro	_	-	_	
•	Canton Metro	4 1.2 %	4.3 %	4.3 %	\$ 96,700
_	Cape Cod Metro	▲ 0.2 %	4 1.1 %	1.6 %	\$ 324.400
_	Cedar Rapids Metro	_	_	_	_
: : :	Champaign- Urbana Metro	▼-1.0 %	▲ 0.6 %	4 2.4 %	\$ 117,800
	Charleston Metro	▲ 0.5 %	2.2 %	a 1.2 %	\$ 156,100
_	Charleston Metro	_		_	
_	Charlotte Metro	▲ 0.4 %	1.3 %	▲ 2.2 %	\$ 136,600
	Chattanooga Metro	▲ 0.5 %	▲ 0.3 %	▲ 0.8 %	\$ 113,900
	Chicago Metro	~0.3 %	~0.6 %	-1.4 %	\$ 161,300
	Chico Metro	▲ 1.0 %	4.1 %	▲ 3.0 %	\$ 184,500
	Cincinnati Metro	▼-0.4 %	▼-0.7 %	- 0.6 %	\$ 122,600
_	Clarksville Metro	▼ -0.5 %	▼-0.4 %	0.0 %	\$ 124,600
	Cleveland Metro	▼-0.3 %	▲ 0.4 %	1.0 %	\$ 110,000
	Colorado Springs	**			
		•	•	•	

	Metro	▼-0.2 %	▲ 0.8 %	▲ 3.2 %	\$ 187,000
	Columbia Metro	▼-0.2 %	▼-0.8 %	▼-2.6 %	\$ 108,200
	Columbus Metro	-	_	_	_
	Columbus Metro	▼-0.2 %	± 1.7 %	2.4 %	\$ 126,400
	Dallas-Fort Worth Metro	▼ -1.2 %	- -0.4 %	▲ 1.8 %	\$ 126,800
	Davenport Metro	▼-1.0 %	▲ 0.2 %	▼ -1.0 %	\$ 103,700
	Dayton Metro	▼-0.1 %	± 0.2 % ± 0.4 %	▲ 0.4 %	\$ 91,700
	Denver Metro	▲ 0.7 %	± 3.5 %	▲10.8 %	\$ 225,900
	Des Moines Metro	▲ 0.8 %	2.4 %	▲ 5.4 %	\$ 141,400
	Destin Metro	1.0 %	▲ 2.0 %	4 1.6 %	\$ 157,600
	Detroit Metro	▲ 1.5 %	4.4 %	▲ 10.1 %	\$ 81,400
	Duluth Metro				_
	Durham Metro	▲ 1.0 %	▲ 2.2 %	a. 3.6 %	\$ 165,300
	El Centro Metro	▲ 0.7 %	▲ 0.6 %	▼-0.7 %	\$ 115,200
	Erie Metro	▲ 0.7 %	2.3 %	▲ 1.9 %	\$ 108,100
	Eugene Metro	₹-1.4 %	▼-0.7 %	▼-1.3 %	\$ 167,900
	Evansville Metro		_	_	_
	Fayetteville Metro	0.4 %	- 03%	- 20%	E 414 200
	Fayetteville Metro Flagstaff Metro	▼-0.4 % • 2.1 %	▼-0.3 % • 4.9 %	▼-3.0 % • 3.5 %	\$ 111,300
	Flint Metro	- 2.1 70		# J.J 76	\$ 233,400
	Fort Collins Metro	▼-0.1 %	- 1.2 %	<u>* 5.1 %</u>	\$ 226,200
	Fort Myers Metro	▲ 0.5 %	▲ 1.8 %	▲ 9.5 %	\$ 140,800
	Fort Smith Metro	▲ 0.1 %	▼ -1.0 %	▼-2.3 %	\$ 88,000
	Fort Wayne Metro		_		_
	Fresno Metro	▲ 0.4 %	▲ 1.9 %	▲ 6.3 %	\$ 140,600
	Gainesville Metro	▲ 2.1 %	▲ 3.6 %	▼-1.0 %	\$ 123,900
	Gainesville Metro	₹-1.4 %	· ▼-2.1 %	▼-4.3 %	\$ 113,800
	Glenn Falls Metro	▲ 0.5 %	a 1.5 %	▲ 03%	\$ 153,200
	Grand Junction Metro	▼-0.7 %	▼ -0.3 %	a 3.9 %	\$ 162,400
	Grand Rapids Metro	▼-0.2 %	▲ 0.7 %	4 3.5 %	\$ 108,700
	Greeley Metro	≈ 0.7 %	~ 2 .7 %	▲ 6.5 %	\$ 166,000
	Green Bay Metro	▲ 0.7 %	4 1.7 %	4.6 %	\$ 134,200
	Greensboro Metro	▲ 0.4 %	▲ 0.4 %	▲ 0.1 %	\$ 112,400
	Greenville Metro	◆ 0.5 %	2.6 %	2.3 %	\$ 128,200
	Hagerstown Metro	_	_	_	
	Harrisburg Metro	▼-0.1 %	- 0.1 %	▼ -0.5 %	\$ 149,800
	Hartford Metro	▼-0.2 %	▼ -0.3 %	▼ -1.2 %	\$ 207,300
	Hickory Metro	27%	▲ 5.9 %	▲ 10.1 %	\$ 92,700
	Holland Metro Honolulu Metro	▼-0.1 % • 0.3 %	▲ 0.4 %	4.5 % ■ 5.1 %	\$ 135,900 \$ 499,600
	Houston Metro	- 0.3 %	2 1.0 %	2 3.1 %	\$ 455,000
	Huntington Metro	_	_	_	_
	Huntsville Metro		_		_
	Indianapolis Metro	▼-02%	▲ 3.5 %	▲ 8.1 %	\$ 130,000
	Jackson Metro	_	_	_	_
	Jacksonville Metro	▲ 0.3 %	▲ 1.9 %	▼ -0.3 %	\$ 122,300
	Kalamazoo Metro	▼ -0.6 %	▲ 0.9 %	2.1 %	\$ 104,500
	Kansas City Metro	_	_		
	Kennewick Metro	▲ 0.5 %	▲ 0.4 %	▲ 4.4 %	\$ 161,800
	Kingsport Metro	▲ 0.6 %	4.6 %	▲ 5.5 %	\$ 109,700
	Knoxville Metro	▲ 0.7 %	▲ 1.7 %	▲ 2.1 %	\$ 134,400
	Lakeland Metro	▲ 0.8 %	2.2 %	▲ 7.1 %	\$ 94,000
	Lancaster Metro	≈ 0.2 %	~ 1.0 %	4 0.8 %	\$ 169,200
	Lansing Metro	- 1.1 %	1.6 %	22%	\$ 105,100
		▲ 1.4 %	▲ 4.6 %	-11.0 %	\$ 126,200
	Lexington Metro	▼-0.2 % • 0.4 %	▲ 0.2 % ▲ 2.6 %	▲ 2.1 % ▲ 5.8 %	\$ 134,100
	Lincoln Metro Little Rock Metro	▲ 0.4 %	▲ 2.0 % ▲ 1.6 %	▲ 2.1 %	\$ 131,900 \$ 120,900
	Los Angeles				
	Metro Louisville/Jefferson	▲1.1 %	- 3.8 %	- 6.1 %	\$ 408,900
	County Metro	0.0 %	▲ 1.6 %	a 8.2 %	\$ 128,400
	Lynchburg Metro	1.5 %	▲ 5.2 %	▲14.6 %	\$ 145,400
	Macon Metro	. –	_	_	_
	Madera Metro	▲ 2.8 %	▲ 3.8 %	▲ 2.7 %	\$ 137,800
	Madison Metro	▲ 0.3 %	- 0.7 %	4 1.1 %	\$ 188,900
;	Manchester Metro	▲ 0.3 %	▼ -1.1 %	▼-0.3 %	\$ 188,100
	Medford Metro	1.2 %	▲ 1.8 %	▲ 0.5 %	\$ 166,000
	Melbourne Metro	▲ 0.1 %	▲ 3.7 %	▲ 7.8 %	\$ 112,800
	Memphis Metro	▼-2.6 %	▼ -7.0 %	▼ -7.2 %	\$ 88,600

Merced Metro	1.6 %	▲ 5.9 %	≈ 12.7 %	\$ 117,000
Miami-Fort Lauderdale Metro	▲ 0.5 %	▲ 1.5 %	▲ 8.7 %	\$ 150,700
Milwaukee Metro	▲ 0.8 %	▲ 2.8 %	4 2.8 %	\$ 168,000
Minneapolis-St	4 0.5 %	▲ 1.9 %	▲ 6.5 %	\$ 173,900
Paul Metro			▼-8.7 %	
Mobile Metro Modesto Metro	▼-1.9 % ▲ 3.2 %	▼-1.3 % ▲ 6.9 %	▼-6.7 %	\$ 73,700 \$ 143,200
Montgomery Metro	0.0 %	▼-0.1 %	4.0 %	\$ 120,800
Myrtle Beach	■ 0.6 %	▲ 0.2 %	· ▼-1.5 %	\$ 123,800
Metro Napa Metro	2.3 %	→ 7.7 %	★ 7.7 %	
Naples Metro	- 2.3 % - 0.3 %	▼ -0.6 %	≈ 6.2 %	\$ 367,600 \$ 215,200
Nashville Metro	a 0.1 %	- 0.9 %	▲ 3.0 %	\$ 148,700
New Haven Metro	0.0 %	◆ 0.3 %	▼ -3.1 %	\$ 200,100
New London Metro	▼-1.0 %	▼-1.5 %	▼-5.5 %	\$ 194,400
New Orleans Metro	▲ 01%	▲ 1. 4 %	◆ 5. 4 %	\$ 166,700
New York Metro	. 0.2 %	~ 0.6 %	-0.3 %	\$ 343,100
Ocala Metro	▼ -0 7 %	▲ 0.2 %	▲ 0.3 %	\$ 89,200
Ogden Metro	▲ 0.2 %	0.0 %	4.7 %	\$ 192,800
Oklahoma City Metro	1.7 %	▲ 5.5 %	▲ 7.6 %	\$ 117,900
Olympia Metro	- 0.6 %	▲ 1.2 %	₹-0.9 %	\$ 203,300
Omaha Metro	0.0 %	• 0.1 %	▼ -8.1 %	\$ 126,200
Orlando Metro Panama City	~ 0.6 %	2.0 %	▲ 4.6 %	\$ 124,300
Metro	▼-0.9 %	▼-0.9 %	▼-2.1 %	\$ 136,400
Pensacola Metro	▲ 0.3 %	- 1.9 %	▲ 1.2 %	\$ 115,700
Peoria Metro	▼-0.4 %	▼-0.5 %	▲ 0.4 %	\$ 108,700
Philadelphia Metro	■ 0.2 % ■ 1.4 %	→ 0.4 % → 5.8 %	▼-0.4 % •23.2 %	\$ 186,400
Phoenix Metro Pittsburgh Metro	▲ 1.4 %	± 5.0 % ± 2.2 %	±23.2 % ± 3.3 %	\$ 156,200 \$ 111,500
Port St. Lucie				
Metro	▼-01%	▲ 1.0 %	* 2.2 %	\$ 114,300
Portland Metro				-
Portland Metro Poughkeepsie	• 0.4 %	2.7 %	≈ 6.3 %	\$ 228,000
Metro	a 0.6 %	▲ 3.0 %	▼-1.0 %	\$ 218,400
Prescott Metro	▼-0.9 %	▲ 1.4 %	▲ 6.8 %	\$ 179.500
Providence Metro	~ 0.6 %	2.0 %	▼-0.6 %	\$ 212,200
Pueblo Metro Punta Gorda	• 0.6 %	a 1.2 %	◆ 3.3 %	\$ 103,900
Metro	- 0.7 %	3.1 %	~ 7.9 %	\$ 122,500
Raleigh Metro	▲ 0.2 %	▲ 0.4 %	▲ 3.1 %	\$ 171,800
Reading Metro	▼-1.1 %	▼-0.6 %	▼-2.3 %	\$ 146,700
Reno Metro	1.4 %	4.9 %	- 7.9 %	\$ 165,800
Richmond Metro Riverside Metro	▲ 0.1 %	▲ 0.5 % ▲ 4.0 %	▲ 1.5 % ▲ 7.5 %	\$ 172,800 \$ 194,400
Roanoke Metro	- 1.4 70	- 4.0 %	- 7.3 .0	
Rochester Metro	▲ 0.4 %	- 1.4 %	▲ 3.0 %	\$ 119,400
Rockford Metro	▼-0.9 %	▼-3.5 %	▼-6.4 %	\$ 90,400
Sacramento Metro	1.8 %	▲ 6.0 %	▲ 9.4 %	\$ 221,300
Saginaw Metro	1.0 %	▼-1.0 %	. ▼-8.5 %	\$ 59,000
Salem Metro Salinas Metro	▲ 1.2 % ▲ 0.4 %	▲ 1.2 % ■ 1.8 %	▲ 0.5 % ▲ 2.5 %	\$ 155,100 \$ 297,100
San Antonio Metro	# U.# %	- 1.0 70	2.5 %	\$ 297,100
San Diego Metro	▲ 1.3 %	- 3.8 %	~ 7.3 %	\$ 366,400
San Francisco Metro	▲ 1.4 %	4 .5 %	=12.1 %	\$ 517,700
San Jose Metro	- 1.3 %	4.3 %	▲13.4 %	\$ 618,000
San Luis Obispo Metro	▼-0.3 %	▲ 3.6 %	▲ 5.0 %	\$ 381,200
Santa Barbara Metro	- 1.2 %	▲ 5.3 %	4 .7 %	\$ 395,500
Santa Cruz Metro	▲ 1.8 %	▲ 6.0 %	▲ 6.6 %	\$ 495,900
Santa Rosa Metro	▲ 1.7 %	± 6.5 % ± 2.7 %	▲ 10.6 %	\$ 353,500 \$ 153,800
Sarasota Metro Savannah Metro	~ 1.0 % ▼-0.4 %	→ 2.7 % ▼-0.1 %	▲ 8.4 %	\$ 153,800 \$ 134,200
Scranton Metro	▲ 0.2 %	▲ 1.3 %	± 0.9 %	\$ 106,300
Seattle Metro	~ 0.5 %	2.2 %	→ 5.5 %	\$ 268,200
Shreveport Metro		. –	_	
South Bend Metro	▼-1.9 %	▼-1.9 %	▲ 6.9 %	\$ 102,600
Spartanburg Metro	▼-0.2 %	0.0 %	2.0 %	\$ 98,900
Spokane Metro	▲ 0.7 %	▲ 2.3 %	a 3.5 %	\$ 149,900

Springfield Metro	▲ 0.2 %	▼ -0.2 %	▼-0.5 %	\$ 122,800
Springfield Metro	▲ 0.1 %	▼-0.1 %	▼-0.8 %	\$ 182,100
Springfield Metro	▼-1.3 %	▼-0.9 %	- 1.4 %	\$ 104,800
St. Louis Metro	▲ 0.6 %	▲ 0.9 %	▲ 1.4 %	\$ 126,900
Stamford Metro	▼ -07%	▼-1.4 %	▼-1.2 %	\$ 352,100
State College Metro	▼- 0.3 %	- 1.5 %	≥ 7.5 %	\$ 188,700
Stockton Metro	▲ 1.3 %	4.9 %	8.8 %	\$ 159,500
Syracuse Metro	▼-0.1 %	▲ 1.9 %	→ 2.8 %	\$ 114,100
Tallahassee Metro	▲ 1.2 %	1.9 %	0.0 %	\$ 131,900
Tampa Metro	▲ 0.5 %	2.2 %	▲ 5.7 %	\$ 112,600
Toledo Metro	▼-0.6 %	▼-0.7 %	▼-0.1 %	\$ 87,200
Trenton Metro	▼-0.1 %	▼-0.6 %	▼-0.2 %	\$ 201,700
Tucson Metro	4 0.6 %	* 2.3 %	∼ 7.1 %	\$ 140,700
Tulsa Metro	▲ 0.2 %	~ 1.8 %	▲ 5.1 %	\$ 108,000
Utica Metro	▲ 1.7 %	4 1.4 %	▲ 3.3 %	\$ 99,700
Vallejo Metro	- 1.4 %	~ 3.8 %	≈ 6.2 %	\$ 198,400
Ventura Metro	▲ 1.3 %	4.1 %	▲ 5.2 %	\$ 393,000
Vero Beach Metro	▼-0.7 %	a 0.4 %	4 5.5 %	\$ 120,900
Virginia Beach Metro	- 0.3 %	- 0.6 %	▼-0.9 %	\$ 197,200
Visalia Metro	- 1.9 %	▲ 7.2 %	№ 6.0 %	\$ 121,000
Waco Metro	0.0 %	▼-1.2 %	▲ 0.1 %	\$ 95,200
Washington Metro	▲ 0.6 %	▲ 2.4 %	4.4 %	\$ 322,000
Wichita Metro				
Wilmington Metro	▼-2.5 %	▼-4.4 %	▼-4.7 %	\$ 161,700
Winston-Salem Metro	▼ -0.8 %	▼ -0.5 %	★ 0.5 %	\$ 117,400
Worcester Metro	0.0 %	▲ 1.1 %	~ 0.8 %	\$ 201,500
Yakima Metro	▲ 0.9 %	* 2.1 %	★ 6.6 %	\$ 134,300
York Metro	▼-0.3 %	▲ 0.6 %	▼-0.3 %	\$ 144,300
Youngstown Metro	▲ 5.8 %	≈ 14.7 %	+17.7 %	\$ 81,800
	* . Textisdes di	ita and trans	pohous throvai	11/30/2012

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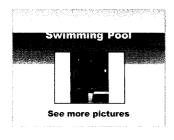
Mortgage Rates

National Avg Rate Cummit Last Week 3.27% 3.22% 30yr fixed 2.62% 2.60% 15yr fixed 2.53% 2.44% 5/1 ARM

Mortgage Shopper Location Saint Louis, MO 3.25% #常樂★★ New York, NY 3.00% Ann Arbor Township, MI 2.99% 🕹 🕸 🚓 🕏

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What Zillow Offers Real Estate Brokers

Use Zillow to get an edge in your marketing efforts!

Submit your listings



Each listing can have unlimited photos, open house dates, all of your contact information, links, and more. All leads flow directly to you.

See a sample home for sale

There are two ways to post your listings on Zillow:

- · Manually enter your listings
- . Send us a feed (best for 50+ listings)

Advertise on Zillow

Maximize your brand presence on Zillow by using targeted advertising campaigns to your particular area. Zillow has a Web page for most homes in the U.S., so we can deliver your marketing message at the right point of purchase intent.

Advertising opportunities include banners, e-mails, sponsorships, integrated placements across Zillow and within our marketplaces, and through our Zillow Performance Network.

Learn more

If you are looking to do something more scalable, you can also create Showcase Ads to promote your brokerage. The ads are targetable by city or ZIP code.

Learn more

Promote your brokerage to the Zillow community

- · Create a profile with your company logo and contact information.
- · Participate in discussions on real estate topics.
- Help buyers and sellers find you and your agents join the free Zillow Professional Directory.

Use free broker tools



API Network

Incorporate Zillow's rich data on your Web site for free! Learn more



Zillow Real Estate Market Reports

Each month, Zillow produces detailed data down to the neighborhood and ZIP-code level on home values, sales, foreclosures, and more. Browse the data or embed local charts on your personal Web site or blog.

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Listings presentation flyer

Once your listings are on Zillow, your agents can use this flyer to communicate the value of marketing on



Zillow to their sellers. Tell them it's a great benefit of working with your company!

See the flyer (PDF, 575KB)

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Liter Liter And Annual Control of the Control o homes, local market statistics, and real-time mortgage rates on your Web site or blog. Plus, get free cobranding when visitors click the widget.

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What Zillow Offers Property Managers/Landlords

Whether you have one home to rent or several, Zillow can help you rent your home. Post your home for rent on one of the most popular and most-visited real estate Web sites where more than 1 million renters visit monthly.

Rent Your Home



Rental listings are free and are displayed for 30 days. You can add unlimited photos, open house dates, all of your contact information, and more.

Post a home for rent

Rent Zestimates



Use the Rent Zestimate[®] as a starting point in determining the estimated monthly rental price for a specific property.

Learn about Rent Zestimates

Advertise Your Rental



Get more visibility for your rental by creating a Showcase Ad. You can target your ad according to city or ZIP code and attract renters in a specific area.

Learn more

Promote Yourself to the Zillow Community

- · Create a profile with your personal photo and contact information.
- · Participate in discussions on rentals or other real estate topics.
- · Contribute to Local Pages.
- · Help renters find you in the Zillow Professional Directory.

Use Free Property Manager/Landlord Tools



Free co-branding on Zillow

Place a Zillow URL on your Web site or blog with special coding, and when it's clicked, your photo, contact info, and link to your Web site will appear at the top of each Zillow page they see.

Learn more



API Network

Incorporate Zillow's rich data on your rental Web site for free!

Learn more



Zillow Real Estate Market Reports

Each month, Zillow produces detailed data down to the neighborhood and ZIP-code level on home values, sales, foreclosures, and more. Browse the data or embed local charts on your personal Web site or blog.

Learn more

Mortgage Rates

Link Earl 1970

Real Estate and Mortgage Widgets

Use Zillow's real estate and mortgage widgets to display data and information such as local market statistics. Plus, get free co-branding when visitors click the widget.

Learn more

Low Mortgage Rates

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What Zillow Offers Lenders

Use Zillow to market your services and generate new business

Get customer initiated contacts



On Zillow Mortgage Marketplace, borrowers create anonymous loan requests and lenders respond with unlimited loan quotes. Only serious borrowers who have reviewed quotes, ratings, and profiles contact lenders. This means less work and time for you because you don't have to call down cold leads. It's free to quote; you pay a fee only when you get contacted by a borrower who has received your quote.

Learn more

Advertise on Zillow



Mortgage ads on Zillow drive valuable, high-quality customer leads that convert at exceptionally high rate

- Zillow Rate Tables allow consumers to view current, local mortgage rates from featured providers.
- Expandable showcase ads capture borrowers at the pre-qualification stage and can be targeted by Zip code.
- Display ads allow you to strengthen your brand presence in the cities and towns you choose.

Learn more

Promote yourself to the Zillow community

- Create a profile with your personal photo and contact information.
 Create a profile
- Participate in discussions on mortgage and finance topics.
 Participate in discussions

Use free lender tools

Current
Mortgage Rates
Classified 5 825
Classified 4 455

Mortgage Widgets

Use Zillow Mortgage Rate Widgets to display real, instant rates on your Web site or blog. Plus, get free co-branding when visitors click the widget.

Learn more



Free co-branding on Zillow

Place a Zillow URL on your Web site or blog with special coding, and when it's clicked, your photo, contact info, and link to your Web site will appear at the top of each Zillow page they see.

Learn more



Lender badges

Add a Zillow lender badge to your site or blog. Badges link to your Zillow profile.

Get your badge in My Zillow



API Network

Incorporate Zillow's rich data on your Web site for free! Learn more



Zillow Real Estate Market Reports

Each month, Zillow produces detailed data down to the neighborhood and ZIP-code level on home values, sales, foreclosures, and more. Browse the data or embed local charts on your personal Web site or blog.

Learn more

Average Rates	Today	Last Weel
30 Year Fixed	3.27%	3.22%
15 Year Fixed		2.60%
See rates by loca		Processor and Property of Authority Consequent

Live Quotes

Nate				
15 year fixed	2.50%	1	min	ago
15 year fixed	2.75%	4	min	ago
30 year fixed	3.38%	1	min	ago

Get rate widgets

Mortgage decisions made easy

Instant answers on the go!



Download the Apps for Zillow Mortgage Marketplace

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Grow your business with high-quality borrowers

Zillow Mortgage Marketplace

Custom Quote Contacts

Zillow Mortgage Marketplace delivers qualified borrower contacts that convert.

- · Quick and easy set up
- · Inbound consumer-initiated contacts
- · Dedicated account executives to help you succeed

Display and Cost-Per-Click Ads

Lots of exposure to highly-qualified borrowers

- · Complete click to contact solution; including a custom landing page
- · Generate quality purchase and refinance contacts
- · Premium placements, including top of search

Call us today to learn how Zillow Mortgage Marketplace can help fill your pipeline! CALL: 1-877-661-3171





Zillow's model is a complementary fit with our culture of customer service and transparency having established themselves as a credible and trusted resource for homeowners. The high quality of Zillow customer combined with the strategic account management has made for a solid business partnership. It is not uncommon for our account executive to contact my team with a suggestion or advice – a proactive and consultative approach we appreciate and gain value from.

Jessica Manna,

Chief Marketing Officer, Residential Finance Corporation





Zillow has been great to work with. The ease of set up and use has made for a great experience. Also, having an account manager to help you every step of the way has proven to make this a successful venture. I highly recommend ZMM.

McKay Shoell,

Sales Manager, Box Home Loans



When a Homeowner is looking for a mortgage, they



want choices, a good deal, and to know that they are dealing with a reputable firm. Mortgage companies want to deal with intelligent, qualified, and ready to act customers. Zillow Mortgage Marketplace provides each exactly what they want.

Kyle Kilpatrick,

Executive Vice President, First Financial Services, Inc.





We have enjoyed working with Zillow and appreciate the transparency and level playing field that their platform provides. Borrowers can compare lenders side by side for real time rates, APR figures, payments, and fees structures in a no-pressure sales environment. Consumers can additionally gain a glimpse into the business practices between these lenders. The star rating system allows a consumer the opportunity to tap into the community pulse to gauge the overall perception of a lender from those individuals who have utilized its services previously. From a lender perspective, this rating information is priceless and is heavily scrutinized as a management tool for the monitoring of best practices. It is also impressive that Zillow maintains data integrity by occasionally mystery shopping various lenders offers to ensure truth in advertising

Joseph Pepe,

Chief Revenue Officer, Roundpoint Mortgage





We've been active on Zillow Mortgage Marketplace for a few months and our experience thus far has been great! Set up was quick and easy and as expected we started generating new business from ZMM almost immediately. The system has proven to be user friendly and successfully supplies valuable, accurate, and up-to-date information to the quality potential customers we're always trying to reach on a daily basis. There's always an attentive account manager available to offer assistance and recommendations when needed. We can say without question that our partnership with Zillow Mortgage Marketplace has been a success.

Justin Davitch.

Mortgage Loan Originator, Home Finance of America





Being a major partner with Zillow this year has really helped us reach potential customers who are ready to act quickly. Zillow's Mortgage Marketplace matches us with potential borrowers who are interested in the exact offer we have available on any given day. There is never any concern that they contacted us based on a teaser rate they saw somewhere else.

Dan Stevens,

Sales Operation Manager, National Bank of Kansas City





Zillow mortgage market place offers an unparalleled lead generation that produces true warm leads as the client does their research on you as a lender. They see that they are dealing with a quality lender by reading your reviews. I have been with Bankrate off and on and they cannot match the technology, customer service or lead generation that Zillow brings. You become like family and I feel they truly want me to succeed and are not looking to waste my money. For every dollar I put into Zillow I generally make 4-5 dollars back. This is the best thing I have ever spent my money on in my entire mortgage career. This, along with my data base and referral partners will keep me in this business for years to come.

Michael King,

Branch Manager, First Priority Financial





I want to take a moment to express how fortunate Myers Park feels with the strong relationship we have built with the Zillow Mortgage Marketplace over the past 18 months. Not only do our key metrics (cost/closingcontact & closing rate) far exceed any partner I have ever used for online mortgage leads in the past 20 year, but the expertise and effort the Sales team has devoted to help us improve and close more loans is unprecedented. You are no viewed as a sales person. but a true business partner and marketing consultant. Your advice, guidance, and willingness to recommend creative marketing ideas have had a tremendous positive impact on our business. I look forward to continually working together to strengthen our relationship to deliver the industry leading service and pricing to Zillow Marketplace clients. We view this partnership as the future of our business.

John Paxton,

Executive Vice President, Myers Park





I have been a lender in the Zillow Mortgage
Marketplace for over 4 years. The quality and
intentionality of the Zillow borrower far exceeds that of
other websites. Zillow mortgage advertising now
accounts for 75% of my monthly loan origination and I
couldn't be happier. I would strongly recommend using
Zillow.

Val Nuttall,

Branch Manager, Red Rock Home Loans





I just wanted to say thank you for providing a great platform for our company to advertise our rates and costs in order to help the consumer get the best possible deal. I know there are many options online to do this. I have tried them all. In my opinion Zillow is the only platform that has the best interest of the consumer in mind. The fact your system allows us to automatically credit overages to help reduce the borrowers costs is amazing. This feature allows us to always be putting our best deal out there. We have been advertising on Zillow for a long time now. I have never had an issue with our advertised rates and costs not matching what

we can actually offer the consumer. This has made a big difference in our conversion ratios from application to lock compared to the other platforms we were on. All these things combined with the fact it super easy to manage makes Zillow the best online resource out there. Keep up the great work!

Michael S. Cox,

Chief Marketing Officer, GoGSF.com



Nationwide Zillow Mortgage Market place has made me a better loan originator and has always provided the most amazing leads in the industry. Keep up the good work. There is not a lead generation company out here compares to the level of service and commitment. Zillow has single handedly change the mortgage lead industry for the better.

Steve Nakash,

National Retail Manager, Nationwide Direct Mortgage



Patriol Zillow provides us with clients who are actively looking to buy or refi and qualified to do so. It is a good place to find leads you can convert quickly.

Matt Hess.

President, Patriot Financial

Want to learn more? Contact a sales representative today

877-661-3171

Want to learn more? Contact a sales representative today

877-661-3171

Zillow Borrowers

Zillow visitors actively seeking a loan in the next 3 months⁽⁷⁾

3.8 million

Average loan amount requested(2)

\$284,000

Zillow consumers' average credit score (very good rating)⁽³⁾

722

Zillow users who are "in the market" - buying, selling, helping others buy/sell or planning to rent⁽⁶⁾

75%

Zillow Audience

Monthly unique users(1) (as of Nov. 2012)

33 million

Year-over-year growth

47%

Median household income(2)

\$67,158

Median age(2)

42

See more audience details

Display and Cost-Per-Click Ad

Samples

300x600 ad unit

728x90 ad unit

Featured Partner Text ad unit

300x250 ad unit

Sources: (1) Internal tracking via Google Analytics, November 2012 (2) comScore Plan Metrix Site Audience Profile, July 2012. (3) Zillow users who submitted loan requests on Zillow Mortgage Marketplace during March 2011 (4) Independent study conducted by the WAV group. (5) California Association of Realtors study 2008, (6) Zillow site survey, September 2012. (7) Zillow internal, April 2011 Questions asked of home shoppers on Zillow

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Din it

DATE: NOVEMBER 12, 2007 | CATEGORY: PROFESSIONALS | AUTHOR: LLOYD FRINK

Today we're thrilled to announce a pretty groundbreaking partnership for real estate. We've partnered with 11 major newspaper companies – totaling 282 newspapers across the country – to extend offline content like classified listings and open house information to Zillow, and to share Zillow's online data and tools with newspaper Web sites. It's a first-of-its kind partnership forging offline and online real estate information at a very local level.

Newspapers for Listings Content

How might this work exactly? For example, real estate advertisers who currently buy classified listings in their local paper will be able to choose to have their listings and open house information shown on Zillow. Not only will this contribute to the number of for-sale listings buyers can browse on our site, but also has the potential to create an incredibly comprehensive online source of open house information, by locality. And this is just the beginning; we have lots of other content-sharing ideas that we're eager to start digging into.

The partnership includes major newspapers such as The San Francisco Chronicle, Houston Chronicle, San Jose Mercury News, The Tampa Tribune and the St Louis Post-Dispatch, to name just a few. Partnered publishing companies are Hearst Newspapers; Journal Register Company; Lee Enterprises, Incorporated; Media General, Inc.; MediaNews Group, Inc.; Morris Communications Company, LLC; Paddock Publications, Pittsburgh Tribune-Review, The E.W. Scripps Company, Times-Shamrock Communications and The Day Publishing Company The newspapers involved will have access to content from Zillow to enhance their own sites—including information on homes, neighborhoods and value trends via our API.

You can read more in our press release today; meanwhile we expect to start rolling this out in the first half of 2008



Suddenly, you can lease from anywhere.



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Rental







ROB MCGARTY 11:30 AM - NOV 13,2007

Any plans on adding the open house data to the Zillow API for other sites to use?



RICHARD JOHNSTON, RE/MAX 4:59 AM - NOV 15,2007

Wow...how low can you guys really go. You obviously are not getting the respect of Realtors... you decide to get the information from newspapers? I believe the word "pathetic" comes to mind. I hope you get sued big time.



MINNESOTA & WISCONSIN LAKE PROPERTY 7:28 PM - JAN 17,2008

It will be good if newyork time is also included in this list. I hope to see it soon.



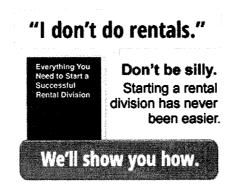
PEAR SHAPED ENGAGEMENT RINGS 3:36 PM - AUG 1,2010

Congrats.. I bet it will help. Richard above, if you aren't going to say anything nice or informative then why bother coming here and writing nasty posts?

ABOUT THE ZILLOW FOR PROS BLOG

Welcome! Here, we'll bring professionals their daily dose of real estate marketing tips, tricks, and strategies. We'll provide useful information for pros managing real estate sales, rentals, or both.

If this is your first time here, we recommend you subscribe to our blog feed here.

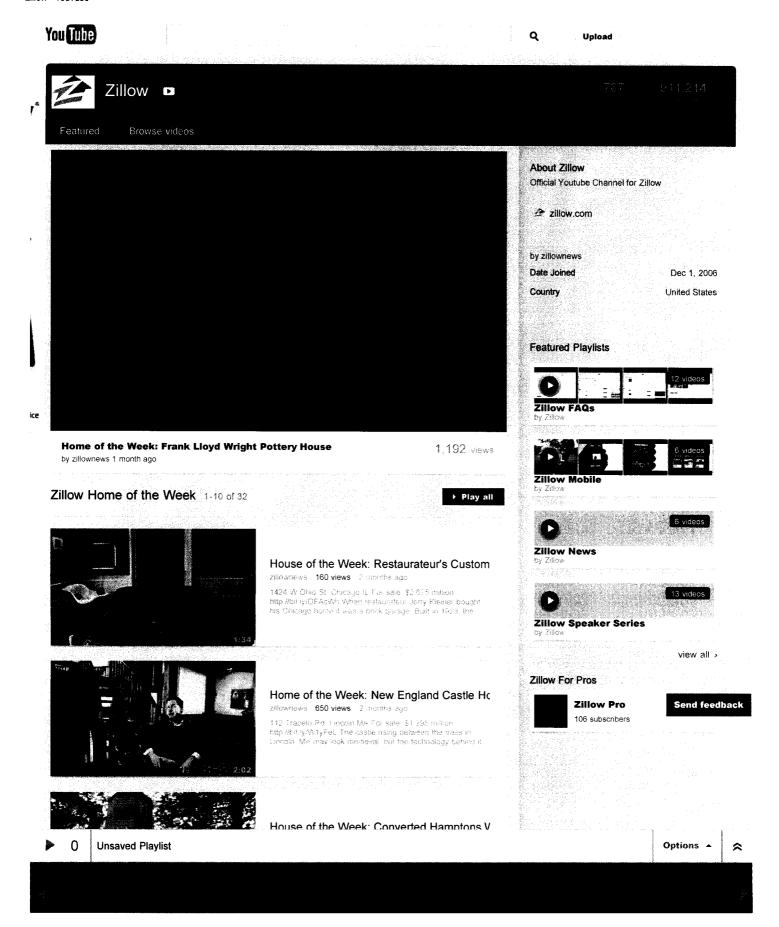




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Zillow Partners with 280+ Newspapers for Listings Content | Real Estate and Rental Marketing Blog for Professionals - Zillow Pro Blog

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Home of the Week: Thimble Islands for Sale

zillownews 5,485 views 2 months ago

Belden Island Branford CT For sale, \$3.95 million Getting a vacation home on an island can be fairly common but getting an entire island as a vacation retreat is a liftle



House of the Week: Million Dollar Rooms in

zillownews 5,693 views 3 months ago

1160 S Ocean Blvd. Lantana FL For sale: \$17.5 million Pecently featured on HGTV's "Million Dollar Rooms." This estate blends Mediterranean style with tocal Florida flam



House of the Week: Las Vegas Primm Com

zillownews 4,188 views 3 months ago

7000 Tomiyasii Ln. Las Végas NV Foi sale: \$16.5 million The home measures 21,000 square feet and has 7 bedrooms (brary, while cellar and statement making



House of the Week: SeaSpace

zillownews 7,911 views 3 months ago

62 Yerkee Point Dr. Carmel CA For sale, \$4 million The Carmel tionne milnics is seashelf's curves and organic structure. http://bit.ly/PSPLis4



House of the Week: Cave House in Arizona

zillownews 5,670 views 3 months ago

3204 W Highway 80 Bispee AZ For sate \$1.5 million Years of carying and building gave way to a cave nome that is filled with custom finishes and touches http://bisi.com/inishes/and/inishe



House of the Week: Al Capone Estate

zillownews 45,367 views 4 months ago

93 Palm Ave. Miami Beach FL Foi sale. \$9.95 million Sixty-five years after the mobster's death, the Al Capone Estate is for sale. http://doi.org/10.1001/10.10



Renovated Laurel Canyon Home



ziliownews 999 views 4 months agn

Former model Jason Shaw bought a foreclosure a little over a year ago and with a team transformed the property into a modern, light filled home. Pead more here. http://doi.

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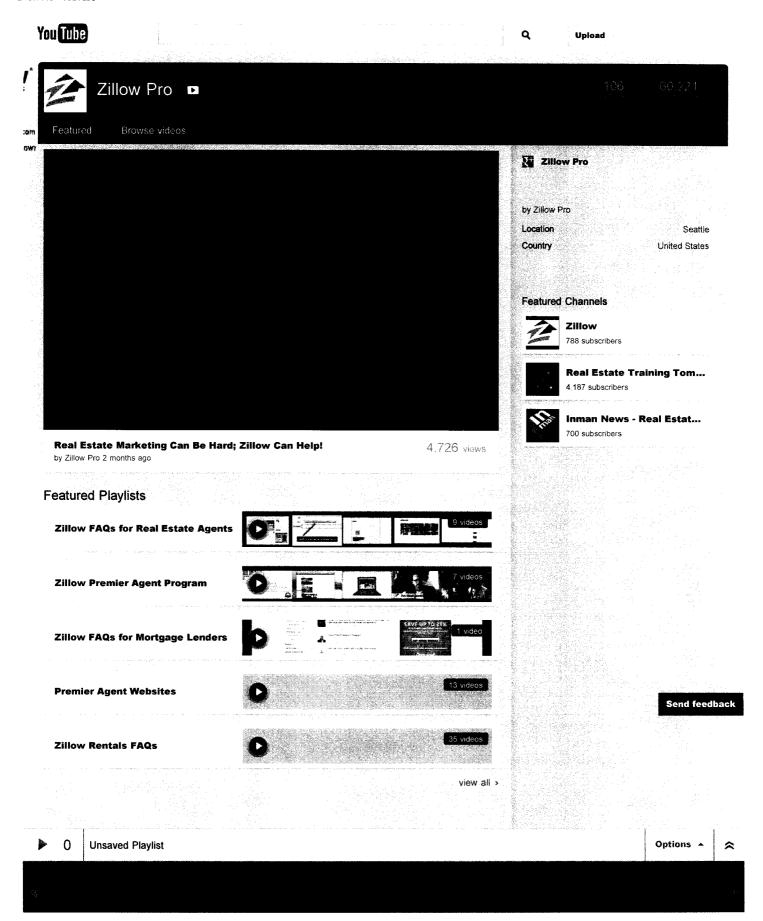
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Zillow Mortgage Marketplace

Want More Purchase Business in Your Pipeline?

Join us **Thursday, March 10, at 11 AM (PST)** for a special training webinar designed to help lenders, like you, pull more purchase business from Zillow Mortgage Marketplace.

» Click here to register

Let's face it: Purchase business is the "name of the game" for 2011. We've packed this training session with exactly what you need to build your pipeline: easy, actionable advice you can quickly implement in your business for fast results.

Discover how to:

- Double your exposure on Zillow
- Convert more clicks into clients
- Separate yourself from your competition

PLUS

 Learn how you can secure one of just a few available spots on our BRAND-NEW platform and give your business the "jolt" it needs

» Register today

P.S. If you can't make it and would like notification of the next training webinar, please email us at <u>mortgageteam@zillow.com</u>.

Homes Mortgage Professionals Advice

Mobile #



Zillow Mortgage Marketplace

Get More Customer Contacts!

In 2011, more than 5.5 million loan requests were submitted to Zillow Mortgage Marketplace. How can you get a bigger share of contacts from these millions of mortgage shoppers? Easy. Get reviews and ratings from your former, potential or existing clients, which can help tip the scales in your favor. In fact, Zillow Premier Agents with 5 or



more reviews get more than twice as many contacts as agents with zero reviews.1

Best of all, any past client, whether they found you on Zillow or not, can submit a review. It's easy to get reviews posted, so get started! Watch a short video on getting reviews.

» Learn More About Reviews

Tell your clients! Anyone who submits a lender review will be entered to win an iPad®!2

- 1 Zillow Internal, February
- 2 Terms and conditions apply. See official rules.

Connect with Zillow on Facebook, Twitter, Zillow Blog and Zillow Mobile.

Zillow's Monthly Real Estate Report for Mt Pleasant

According to Zillow's Real Estate Market Reports for March 2011, Mt Pleasant home values were:

- Down 1% compared to February 2011
- Down 1.4% compared to March 2010

» See Mt Pleasant values

- » Check your home's value
- » See homes for sale in Mt Pleasant
- » See recently sold homes in Mt Pleasant

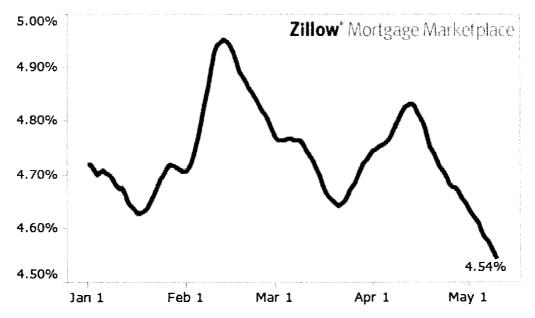
Zillow Real Estate Market Reports

Zillow* Mortgage Marketplace

Shop for the Lowest Mortgage Rate on Zillow

Mortgage rates have just dropped to the lowest levels of 2011. The rate for a 30-year fixed mortgage is down to 4.54% nationally.

If you're in the market for a loan, come to **Zillow Mortgage Marketplace** and lock in before rates rise!



» Get low rates now



Homes Mortgage Professionals Advice

Mobile ...



Zillow Mortgage Marketplace

Active in Zillow Advice? You Should Be!

Did you know that consumers looking for mortgage advice actively post questions in the mortgage section of Zillow Advice? These visitors are seeking help and are usually in the market for a mortgage. By answering their questions, potential borrowers get to see your mortgage expertise and you can attract new contacts - just by offering your advice!



We want experts like you providing mortgage advice on Zillow, and you want a free source of mortgage customers. Come share your knowledge with our community - and find some new customers in the process!

To learn more about how to post comments in Zillow Advice, check out this short video and this list of tips.

So to Zillow Advice

Connect with Zillow on Facebook, Twitter, Zillow Blog and Zillow Mobile.

Zillow Mortgage Marketplace

You're on the Zillow Mortgage Marketplace iPhone® App!

Great news: Zillow Mortgage Marketplace has just gone mobile and that means you've gone mobile with us. That's right - the Zillow Mortgage Marketplace iPhone App just launched, which means more visibility for you.

Just like the website, borrowers submit loan requests and choose loan quotes from any of Zillow's funded lenders (Note: Mobile clicks to your Quote Detail Pages will be charged the same way as they are on the site).

Why is this important to you?

- More contacts: Access to a new mobile consumer channel lets you connect with home shoppers, while they are out looking at homes and ready to transact.
- It's free: Borrowers can now find your quotes on the Zillow Mortgage Marketplace App, so you don't need to invest in building your own app.

What's in the app?

- Advanced mortgage calculators and tools
- Interactive rate charts and graphs
- Mobile mortgage shopping experience where borrowers can shop for loan quotes and contact you



Check out the Zillow Mortgage Marketplace App and see your profile!

» Download the Zillow Mortgage Marketplace App (will open iTunes®)

Don't have the Zillow app for iPhone, iPad, Android or BlackBerry?

Download a Zillow App now!

Have questions? Please contact mortgagesales@zillow.com for assistance.

Find out what you can afford on Zillow Mortgage Marketplace.



Zillow Buzz

Zillow Mortgage Marketplace iPhone® App Added to the Family

Heads up, real estate aficionados! Here comes the newest member of the Zillow Mobile family: the free Zillow Mortgage Marketplace iPhone App, which is the perfect complement to our free real estate apps on iPhone, Android™, iPad[®] and BlackBerry[®].

Why use it?

When you are out shopping for homes, get answers right on the spot using the Zillow Mortgage Marketplace iPhone App:

- What can I afford?
- What should my payments be?
- What's the best mortgage for me?

Plus, you can shop for mortgages - purchase or refinance - right from your iPhone and then view a list of rated and reviewed lenders and contact them when you're ready.

\$70.000 \$40,000

» Get the Zillow Mortgage Marketplace App

(will open iTunes*)

Still Don't Have a Zillow Real Estate App?

Don't wait another moment! Zillow's free real estate apps provide data and info on all U.S. homes -- not just homes for sale. See Zestimate[®] home values, Rent Zestimates, homes for sale, homes for rent, recently sold, and more as you go, using GPS technology. Get one now!

» Download a Free Zillow Mobile App





Homes Mortgage Professionals Advice Mobile (#)



Zillow Mortgage Marketplace

New Quoting Opportunities on Zillow Mortgage Marketplace

Dear Zillow Mortgage Marketplace Lender.

In response to lender and borrower demand for new mortgage products, we are excited to announce that we are adding HARP and FHA Streamline quoting to Zillow Mortgage Marketplace (ZMM).

Beginning the evening of Wednesday, June 27, borrowers shopping on ZMM will be able to indicate whether their loan is owned/backed/insured by Fannie, Freddie or the FHA and when appropriate, receive HARP or FHA Streamline loan requests.

What do I need to do?

If you'd like to quote HARP and/or FHA Streamline products, please:

- Contact your API pricing partner to find out what changes you need to make to your account.
- 2. After speaking to your pricing partner, please contact your ZMM account representative to discuss strategy and best practices for HARP and FHA Streamline quoting.

Plant Rabbins



Are there any quoting policy changes that accompany this update?

Yes, there are three new policies:

- 1. Lenders can only quote FHA Streamline loan requests if the borrower selects the FHA button in the "Your Current Loan" section. Similarly, lenders can only quote HARP if the borrower selects Fannie or Freddie.
- For FHA Streamline, assume typical FHA Streamline characteristics apply -- specifically. pricing assuming no appraisal and no credit pull is required.
- 3. For HARP, assume pricing for cross-servicer HARP refis (not same-servicer pricing). We are not collecting or passing the current servicer information, so please assume the loan request is for cross-servicer HARP refi quote.

Like all quoting policies, lenders that post quotes that do not adhere to these guidelines will risk temporary or even permanent removal from ZMM.

Who do I contact if I have questions?

If you have any questions, contact your account representative or email us at mortgagesales@zillow.com.

We're excited about the opportunity these products present for lenders to source more business through ZMM and for borrowers to find lenders than can help them improve their financial situation.

Thank you,

The Zillow Mortgage Marketplace team

Connect with Zillow on Facebook, Twitter, Zillow Blog and Zillow Mobile

NEWS ALERT: The average rate for a 30-year fixed mortgage dipped below 4 percent.

Zillow's Monthly Real Estate Report for Springfield

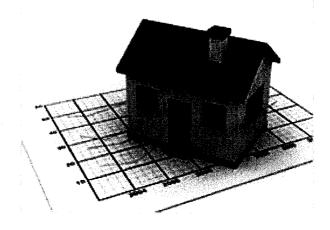
According to Zillow's Real Estate Market Reports for June 2011, Springfield home values were:

- Down 1.7% compared to May 2011
- Down 15.8% compared to June 2010

» See Springfield Values

- » Check Your Home's Value
- » Read Summary of Latest Reports

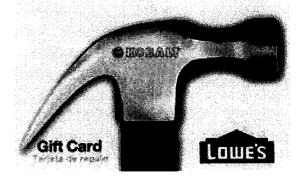
Zillow* Real Estate Market Reports



Get Up to a \$1,000 Gift Card From Lowes®

Shopping for a home, or refinancing? If you submit an eligible loan request on **Zillow**Mortgage Marketplace and contact any participating lender, you could qualify for a gift card from Lowe's valued up to \$1,000. It's a nice little bonus, just for getting a loan.

- » <u>Get Started</u> (Look for red "Special Offer" tags)
- » <u>Learn More About This Special Offer</u>





Homes Mortgage Professionals Advice

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Zillow Morigage Marketplace

Dear Zillow Mortgage Marketplace Lender,

Today, we have some exciting news to share. Just a few minutes ago, we announced that Mortech has agreed to be acquired by Zillow. We expect the acquisition will close before year-end. You can find more details here, but in this email we wanted to thank you for supporting Zillow Mortgage Marketplace and explain the impact that this news will have on you.





When we first launched Zillow Mortgage Marketplace in 2008, we created an open API and encouraged product and pricing engines to integrate with us and offer auto-quoting to lenders. Over 4 years later, we maintain our commitment to keeping Zillow Mortgage Marketplace open and transparent where all partners can integrate with our APIs and borrowers can shop anonymously for quotes from a broad network of lenders. With this model, Zillow Mortgage Marketplace has become an important destination for borrowers and lenders and now receives over 1 million borrower loan requests each month. With the acquisition of Mortech, we are deepening our commitment to help lenders convert those loan requests to funded loans and support Zillow Mortgage Marketplace's continued growth.

You probably have important questions about how this news will affect you as a Zillow Mortgage Marketplace lender once the acquisition closes, such as:

Why did Zillow decide to acquire Mortech?

We decided to acquire Mortech because it aligned well with our strategy of expanding beyond a traditional media model to become a central hub for a broad range of marketing and business services to local professionals. We have been implementing this strategy in our real estate and rentals marketplaces, and this acquisition was a natural extension of this strategy to our mortgage marketplace.

We are following the same blueprint for building marketplaces that we have found success with previously by first innovating on behalf of consumers by creating a transparent mortgage marketplace, then connecting borrowers with lenders, and next investing in tools to help professionals be successful serving consumers.

Will lenders have to use Mortech to quote on Zillow Mortgage Marketplace?

No. Just as they could before this announcement, lenders can select whichever partner they would like to quote on Zillow Mortgage Marketplace.

Will Mortech lenders be able to use Mortech to price and manage leads from other sources besides Zillow Mortgage Marketplace?

Yes. We know how important it is for lenders to connect with as many borrowers as possible and we'll support all lead sources that lenders want to use.

Will Zillow continue to integrate with other API partners, including those that might be competitors to Mortech?

Yes. Zillow will continue to integrate with other API partners. Our objective is to make lenders successful at converting contacts and we welcome all partner integrations that help lenders succeed

Will it continue to be free to integrate with Zillow Mortgage Marketplace?

Yes. It will continue to be free to integrate with Zillow Mortgage Marketplace. We welcome all partners that offer tools to help lenders be more effective at quoting and converting borrower contacts to funded loans.

Thanks for the work you're doing to make Zillow Mortgage Marketplace the most trusted and vibrant marketplace for millions of borrowers to find lenders like you who serve them well.

The Zillow Mortgage Marketplace Team

Connect with Zillow on Facebook, Twitter, Zillow Blog and Zillow Mobile

Zillow's Mobile Apps - Available on iPhone, iPad, and Android

Zillow's Monthly Real Estate Report for Charleston

According to Zillow's Real Estate Market Reports for September 2010, Charleston home values were Down 0.7% compared to August 2010 and Down 8.9% compared to September 2009.

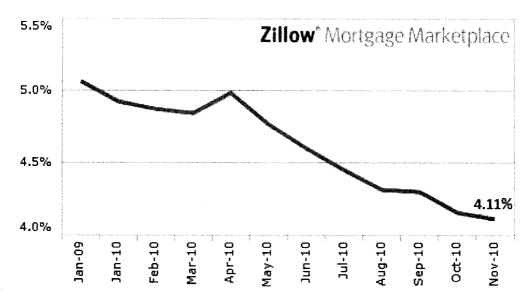
» Click for Charleston values

- » Check your home's value
- » See homes for sale in Charleston
- » See recently sold homes in Charleston



It's True. We are the Lowest of Lows.

Mortgage rates are at historic lows, but for the absolute lowest rates anyway, come to <u>Zillow Mortgage Marketplace</u>. Not only will you **get the best rate**, but you will save thousands on a loan. It's **fast**, **free** and **anonymous**.



» Get low custom rates now



California Mortgage Rates

30 Year Fixed

15 Year Fixed

5/1 Arm

View Rates

View Rates

View Rates



Mortgage decisions made easy

30 Year Fixed Rates

California

3.71% APR

National Avg

3.74% APR

Compare Rates



Need a Mortgage?

	Enter	
ZIP	Code:	

View Live Rates



Urban?

Suburban?





Zillow knows.







ZILL000353



Uptown?



Zillow knows.







ZILL000354



Your Edge in Real Estate





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Downsize?



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Upgrade?









Downsize?

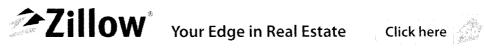
Upgrade?





Zillow knows.





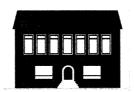


Downsize?

Upgrade?

Zillow knows. Your Edge in Real Estate







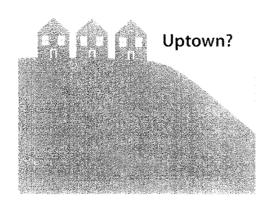


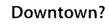
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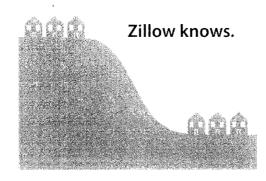
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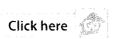


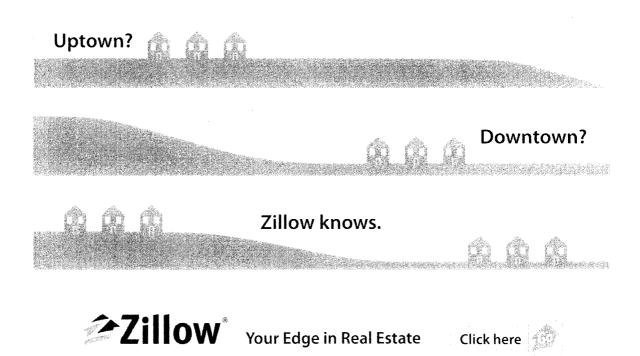




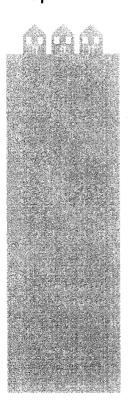




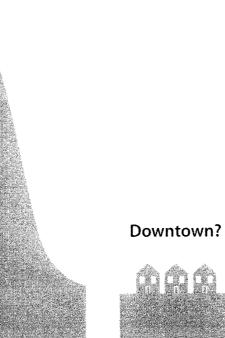




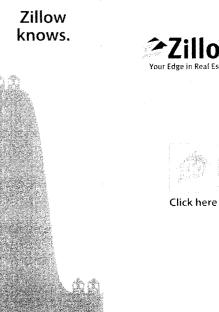
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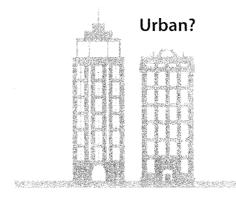








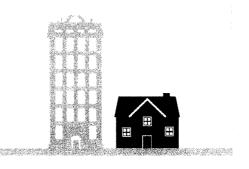




Suburban?



Zillow knows.









Urban?

Suburban?





Zillow knows.







Urban? Suburban? Zillow knows.

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Zillow Badges

Add a badge to your Web site or blog to:

- Show off your expertise and knowledge. This is a great way to showcase your real estate expertise on your own site and promote your Zillow activity. When users click on these badges, they go directly to your Zillow profile page.
- **Get free co-branding.** When visitors click the badge, your photo, contact info and link to your Web site appears at the top of the page. <u>Learn more about co-branding</u> or <u>see co-branding demo.</u>

Add co-branding (optional):

You must Register or Sign In to use co-branding

Include co-branding

Note: Co-branding is based on your profile information, so make sure your profile displays the contact information and photo or image you want to brand.

5-Star Agent and Lender Badges

Are you a 5-star agent or lender? Brag about it on your home page with these graphics. If your users click the badge, Zillow will be co-branded with your contact info at the top.

Please log in to see if you're eligible for 5-Star Badges.

Premier Agent Badge



★ To get this badge, <u>Sign In</u> or <u>Register</u>.
Once you sign in, copy & paste the code to put this on your site.

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PREMIER AGENT

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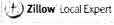
Local Expert - 160x40



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Local Expert - 100x40



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Free Co-Branding on Zillow

What is it?

If you place a Zillow URL on your Web site or blog with special coding, and it's clicked, your photo, contact info and link to your Web site appear at the top of each Zillow page they see.

Why Use it?

- · Co-branding boosts your visibility among the visitors you send from your Web site to Zillow.
- · Your contact information follows visitors throughout their session on Zillow.
- · Simply add the parameter "#{scrnnm=zillowscreenname}" to the end of any URL that links to Zillow, and substitute your Zillow account screen name for "zillowscreenname." If you don't know your screen name, you can find it by clicking on My Zillow.
- If you have spaces in your screen name, replace them with dashes when appending this code to your links.

For example:

- · Zillow screen name: Firstname Lastname
- Co-Branding code: #{scrnnm=Firstname-Lastname}
- For example, to link to the Zillow home http://www.zillow.com/#{scrnnm=Firstname-Lastname}

Add valuable information to your Web site or blog today!

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advertising for you! The content options below are all free and very easy to install. If you run into any issues please visit the Zillow Widget Tips page for more info.

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Mortgage Rate Table

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Buyer IQ Quiz



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Terms of Use

This document sets forth the terms on which Zillow makes the Zillow API (as defined below) available for use by approved licensees on other Web sites. By using the Zillow API, you and the organization identified in your application for the Zillow API ("you") agree to be bound by the following terms of use ("API Terms of Use").

The following terms apply to both the Home Valuation API, Property Details API, Mortgage API and Postings API (defined below), to the extent you are approved for one, the other, or both versions of the Zillow API. Additional terms, set forth in Section 14 below, apply only to the Property Details API.

- 1. Zillow API. The Zillow API is Zillow's service that allows preapproved licensees to retrieve certain data regarding residential real estate and mortgages in the United States of America ("Zillow Data"). The Zillow API consists of multiple application program interfaces for retrieving various Zillow Data, grouped generally into calls to retrieve valuation data (the "Home Valuation API"), calls to receive attributes about particular properties (the "Property Details API"), calls to receive information about mortgage rates (the "Mortgage API"), and calls to receive information about homes posted for sale (the "Postings API"). These items are further defined in the Home Valuation API home page, Property Details API home page, Mortgage API home page, and Zillow API Branding Requirements. Zillow may release subsequent versions of the Zillow API and require you to obtain and use the most recent version. New versions may not be compatible with your previous implementation.
 Zillow will identify releases at www.zillow.com/howto/api/APIOverview.htm.
- 2. License to Zillow API & Data. If you are approved by Zillow for use of the Zillow API, and subject to these Terms of Use, you may access the Zillow API, implement the Zillow API on your Web site(s), and distribute Zillow Data to consumers for their personal use without charge on your Web

site(s), all in accordance with the Zillow API Network <u>Branding Requirements</u>. This license is subject to the following restrictions:

• All calls to the Zillow API must reference the ZWSID issued to you as an approved licensee.

- If you are using a general developer ZWSID pursuant to Zillow's alpha program, when notified by Zillow you must request, obtain and utilize a unique ZWSID.
- You agree that you will provide the Zillow Data to users on "as is" terms, with disclaimers substantially equivalent to those set forth in Sections 7 and 8.
- You agree to keep the ZWSID confidential, and not to share it with any third party. This license is personal to you, and any affiliates must seek and obtain their own license and ZWSID.
- · You may not implement the Zillow API or distribute the Zillow Data on mobile apps.
- You may present the Zillow Data only on a transactional basis. You will not permit your users to access the Zillow Data in bulk.
- You may not retain any copies of the Zillow Data. Your license to Zillow Data is limited to making direct server calls to Zillow for the Zillow Data and to distributing the Zillow Data to your end user on your Web site(s), immediately upon receipt by your servers.
- You may not present the Zillow Data (or permit the Zillow Data to be presented) so that it appears to be available from a third party Web site.
- . You may not use the Zillow Data for direct marketing (i.e., mailing) or telemarketing lists.
- You may not separate address information from the Zestimate[®] or Rent Zestimate valuation for the property at that address
 or the for-sale or for-rent information, if applicable.
- You may not separately extract and provide or otherwise use data elements from the Zillow Data to enhance the data files of third parties.
- You further agree not to otherwise reproduce, modify, distribute, decompile, disassemble or reverse engineer any portion of the Zillow API or any data provided by Zillow.
- You are limited to one thousand (1000) calls to the <u>Home Valuations API</u> and the <u>Property Details API</u> per day. Zillow may approve higher daily call limits if you adhere to these API Terms of Use and pass a Zillow audit and review.
- If you become aware that any user of your implementation is in material breach of these API Terms of Use, any provisions you are required to offer under these API Terms of Use, or the terms of Zillow Terms of Use linked pursuant to Section 3 and the Zillow API Network Branding Requirements (the "Applicable Terms"), then you agree to notify Zillow promptly of such breach by e-mail to APINetwork@zillow.com, and to take prompt commercially reasonable corrective action at your expense to remedy such breach. In addition, upon request of Zillow, you will either (a) use commercially reasonable efforts to obtain such equitable relief to prevent harm to Zillow or its licensors, or (b) assign any of your applicable rights to permit Zillow or the applicable licensor to seek such equitable relief. Your obligations to report and enforce the Applicable Terms will survive termination of these API Terms of Use or your use of the Zillow API.
- 3. License to Zillow Brand & Links. You agree, and Zillow grants you a license, to implement the Zillow name, logo(s), and links to the Zillow website (the "Zillow Brand & Links") on any Web page incorporating the Zillow API and/or Zillow Data, in accordance with the Zillow API Network Branding Requirements. You shall not tag links to the Zillow website hereunder with a "nofollow" attribute or otherwise prevent or discourage search engines from following or scoring the link.
- 4. Acceptable Use. You agree not to use the Zillow API, Zillow Data, or Zillow Brand & Links in any way that is unlawful, or harms Zillow, its service providers, its suppliers, your end users, or any other person. Further, pursuant to Section 10 below, Zillow may terminate your use of the Zillow API, Zillow Data and Zillow Brand & Links if and when Zillow determines that your use is inappropriate.
- 5. Limited Relationship. You and Zillow are independent contractors, and nothing in these API Terms of Use shall be construed as creating an employer-employee relationship, a partnership, or a joint venture. While you may publicly refer to the fact that you have implemented the Zillow API, you agree not make any other public statements that assert or imply any other relationship with Zillow, unless you have Zillow's prior written approval.
- 6. Indemnity. You agree to hold harmless and indemnify Zillow, and its subsidiaries, affiliates, officers, agents, employees, and suppliers, from and against any third party claim arising from or in any way related to your or your users' use of the Zillow API or Zillow Data, use of Zillow Brand & Links other than as set forth in the Zillow API Network Branding Requirements, violation of these API Terms of Use or other actions connected with use of Zillow services, including any liability or expense arising from all claims, losses, damages (actual and consequential), suits, judgments, litigation costs and attorneys' fees, of every kind and nature. In such a case, Zillow will provide you with written notice of such claim, suit or action.
- 7. NO WARRANTY. ZILLOW PROVIDES THE ZILLOW API, ZILLOW DATA, AND ZILLOW BRAND & LINKS "AS IS," "WITH

ALL FAULTS" AND "AS AVAILABLE," AND THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY, AND EFFORT IS WITH YOU. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ZILLOW AND ITS SUPPLIERS MAKE NO REPRESENTATIONS, WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED. ZILLOW AND ITS SUPPLIERS EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES OR CONDITIONS, EXPRESS, STATUTORY AND IMPLIED, INCLUDING WITHOUT LIMITATION (A) WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, WORKMANLIKE EFFORT, ACCURACY, TITLE, QUIET ENJOYMENT, NO ENCUMBRANCES, NO LIENS AND NON-INFRINGEMENT, (B) WARRANTIES OR CONDITIONS ARISING THROUGH COURSE OF DEALING OR USAGE OF TRADE, AND (C) WARRANTIES OR CONDITIONS OF UNINTERRUPTED OR ERROR-FREE ACCESS OR USE.

8. LIABILITY LIMITATION; EXCLUSIVE REMEDY. IN NO EVENT WILL ZILLOW OR ANY SUPPLIER BE LIABLE FOR ANY DAMAGES, INCLUDING WITHOUT LIMITATION ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, OR

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- 9. Intellectual Property. The Zillow API, Zillow Data, and Zillow Brand & Links are the property of Zillow, and subject to the intellectual property rights of Zillow and its licensors. (c) 2006-2012 Zillow, Inc. All rights reserved.
- 10. Changes. Zillow reserves the right to change the API Terms of Use, and you are responsible for regularly reviewing these API Terms of Use. Your continued use of the Zillow API and/or Zillow Data after the effective date of such changes will constitute acceptance of and agreement to any such changes. Zillow may suspend or discontinue the Services at any time to you and/or to others, without notice.
- 11. Termination. Zillow may change, suspend or discontinue the Zillow API and suspend or terminate your use of the Zillow API, Zillow Data, and/or Zillow Brand & Links at any time for any reason, without notice. You may also terminate by ceasing to use the Zillow API, Zillow Data, and Zillow Brand & Links, removing implementation of the Zillow API from your Web site(s), and deleting all copies of the Zillow Data and Zillow Brand & Links.
- 12. Choice of Law; Disputes. These API Terms of Use are governed by the laws of the State of Washington, without giving effect to its conflict of laws provisions. You agree to submit to exclusive jurisdiction and venue in the state and federal courts sitting in King County, Washington, for any and all disputes, claims and actions arising from or in connection with the Services and/or these API Terms of Use. In any dispute arising under this Agreement, the prevailing party will be entitled to attorneys' fees and expenses.
- 13. General. You represent that you have the authority to bind the organization (if any) identified in your application for the Zillow API. You agree not to export from anywhere any part of the Zillow API, Zillow Data, or Zillow Brand & Links provided to you or any direct product thereof except in compliance with, and with all licenses and approvals required under, applicable export laws, rules and regulations. If provided to the U.S. government, the Zillow API, Zillow Data, or Zillow Brand & Links are provided with the commercial license rights described herein. If any part of these API Terms of Use is determined to be invalid or unenforceable, then the invalid or unenforceable provision will be replaced with a valid, enforceable provision that most closely matches the intent of the original provision and the remainder of these API Terms of Use will continue in effect. The section titles in these API Terms of Use are solely used for the convenience of the parties and have no legal or contractual significance. Zillow may assign these API Terms of Use, in whole or in part, at any time with or without notice to you. You may not transfer, assign, or delegate the API Terms of Use and your ZWSID to any third party. Zillow's failure to act with respect to a breach by you or others does not waive its right to act with respect to subsequent or similar breaches. Except as expressly stated herein, these API Terms of Use constitute the entire agreement between you and Zillow with respect to the Services and supersede all prior or contemporaneous communications of any kind between you and Zillow with respect to the Zillow API, Zillow Data, or Zillow Brand & Links.
- 14. Property Details API Terms. You agree to the following terms, only with respect to the Property Details API:
- You may not use the Zillow Data to provide a service for other businesses.
- You must use commercially reasonable efforts to prevent the Zillow Data from being downloaded in bulk or otherwise scraped. Such efforts include "spider traps," "C.A.P.T.C.H.A.," velocity checks, source IP analysis, or other methods that are as effective.
- · You may present data on no more than 20 individual properties at a time to any given user (e.g., per Web page)

Last revised March 2011



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For Pros T Mobile Sign In

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Free Co-Branding on Zillow

What is it?

If you place a Zillow URL on your Web site or blog with special coding, and it's clicked, your photo, contact info and link to your Web site appear at the top of each Zillow page they see.

Why Use it?

- Co-branding boosts your visibility among the visitors you send from your Web site to Zillow.
- Your contact information follows visitors throughout their session on Zillow.
- Simply add the parameter
 "#{scrnnm=zillowscreenname}" to the end of
 any URL that links to Zillow, and substitute
 your Zillow account screen name for
 "zillowscreenname." If you don't know your
 screen name, you can find it by clicking on
 My Zillow.
- If you have spaces in your screen name, replace them with dashes when appending this code to your links.

For example:

- · Zillow screen name: Firstname Lastname
- Co-Branding code: #{scrnnm=Firstname-Lastname}
- For example, to link to the Zillow home page: http://www.zillow.com/#{scrnnm=Firstname-Lastname}

Add valuable information to your Web site or blog today!

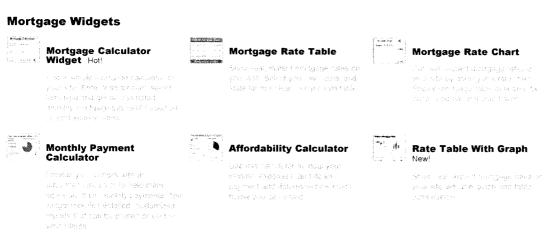
- Zillow API
- Real Estate and Mortgage Rate Widgets
- Link to Zillow



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Free Real Estate Widgets & Mortgage Widgets - Zillow Website Tools **∂Zillow** Homes Rentals Mortgage Rates Advice Find a Pro Local Info Blogs Web Tools | More * For Pros ▼ Mobile Sign In Citya6tete, or ZIP **Agent Hub Get an Agent Website Buy Ads** Widgets / Facebook Apps Widgets Overview Facebook Apps **Widgets for Your Site** Badges for Your Site Data for Your Site WordPress Plugins Real Estate and Mortgage Widgets Add a Zillow widget to your website or blog to enhance your visitors' experience. You'll also get co-branding, which means free advertising for you! The content options below are all free and very easy to install. If you run into any issues please visit the Zillow Widget Tips page for more info. **Choose a widget** Copy HTML code Paste onto your site You on Zillow Reviews Widget Hot! Contact Form Widget Hot! **Map My Listings Widget** 6.5 who there is something the end display to end With Birs a lager you can pull a mail reguest for the four equality in an extensive and an extensive as as your eatings if it was presently one and open at an at size. Classificações en el poblas se la la compresa sa el apparação en el appropriação My Zillow Listings New! My Zillow Profile





Live Streaming Rates Widget New!



Market Vibrancy Widget New!

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Large Rate Table Widget



Mortgage Resources Widget



Payment Breakout



Calculator

Data and Stats



Home Value Estimate



Median Listing Price Widget

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Real Estate Statistics Chart



Rent Valuation Widget

Listings



Large Zillow Search Box



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Real Estate on a Map Widget

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Recently Sold Homes Widget





Rentals on a Map Widget



Small Zillow Search Box



Zillow Search Box New!





Do You Qualify for a Refinance? Quiz



Mortgage Quiz Widget



Buyer IQ Quiz



What Kind of Neighbor Are You? Widget



HARP Eligibility

Free Real Estate Widgets & Mortgage Widgets - Zillow Website Tools

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Miscellaneous



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Real Estate News New!

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http://www.zillow.com/webtools/widgets/[12/19/2012 1:32:41 PM]

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Widgets for Your Site

Badges for Your Site

Data for Your Site

API Renefits

API Partners

Branding Requirements

Home Valuation API

Neighborhood Data

Mortgage API

Property Details API

Neighborhood Boundaries

Technology Providers

FAQ

Terms Of Use

WordPress Plugins



This document sets forth the terms on which Zillow makes the Zillow API (as defined below) available for use by approved licensees on other Web sites. By using the Zillow API, you and the organization identified in your application for the Zillow API ("you") agree to be bound by the following terms of use ("API Terms of Use").

The following terms apply to both the Home Valuation API, Property Details API, Mortgage API and Postings API (defined below), to the extent you are approved for one, the other, or both versions of the Zillow API. Additional terms, set forth in Section 14 below, apply only to the Property Details API.

- 1. Zillow API. The Zillow API is Zillow's service that allows preapproved licensees to retrieve certain data regarding residential real estate and mortgages in the United States of America ("Zillow Data"). The Zillow API consists of multiple application program interfaces for retrieving various Zillow Data, grouped generally into calls to retrieve valuation data (the "Home Valuation API"), calls to receive attributes about particular properties (the "Property Details API"), calls to receive information about mortgage rates (the "Mortgage API"), and calls to receive information about homes posted for sale (the "Postings API"). These items are further defined in the Home Valuation API home page. Property Details API home page. Mortgage API home page, and Zillow API Branding Requirements. Zillow may release subsequent versions of the Zillow API and require you to obtain and use the most recent version. New versions may not be compatible with your previous implementation. Zillow will identify releases at www.zillow.com/howto/api/APIOverview.htm.
- 2. License to Zillow API & Data. If you are approved by Zillow for use of the Zillow API, and subject to these Terms of Use, you may access the Zillow API, implement the Zillow API on your Web site(s), and distribute Zillow Data to consumers for their personal use without charge on your Web

site(s), all in accordance with the Zillow API Network Branding Requirements. This license is subject to the following restrictions:

· All calls to the Zillow API must reference the ZWSID issued to you as an approved licensee.

- If you are using a general developer ZWSID pursuant to Zillow's alpha program, when notified by Zillow you must request, obtain and utilize a unique ZWSID.
- You agree that you will provide the Zillow Data to users on "as is" terms, with disclaimers substantially equivalent to those set forth in Sections 7 and 8.
- You agree to keep the ZWSID confidential, and not to share it with any third party. This license is personal to you, and any
 affiliates must seek and obtain their own license and ZWSID.
- · You may not implement the Zillow API or distribute the Zillow Data on mobile apps.
- You may present the Zillow Data only on a transactional basis. You will not permit your users to access the Zillow Data in bulk.
- You may not retain any copies of the Zillow Data. Your license to Zillow Data is limited to making direct server calls to Zillow for the Zillow Data and to distributing the Zillow Data to your end user on your Web site(s), immediately upon receipt by your servers.
- You may not present the Zillow Data (or permit the Zillow Data to be presented) so that it appears to be available from a third party Web site.
- You may not use the Zillow Data for direct marketing (i.e., mailing) or telemarketing lists.
- You may not separate address information from the Zestimate[®] or Rent Zestimate valuation for the property at that address
 or the for-sale or for-rent information, if applicable.
- You may not separately extract and provide or otherwise use data elements from the Zillow Data to enhance the data files of third parties.
- You further agree not to otherwise reproduce, modify, distribute, decompile, disassemble or reverse engineer any portion of the Zillow API or any data provided by Zillow.
- You are limited to one thousand (1000) calls to the <u>Home Valuations API</u> and the <u>Property Details API</u> per day. Zillow may
 approve higher daily call limits if you adhere to these API Terms of Use and pass a Zillow audit and review.
- If you become aware that any user of your implementation is in material breach of these API Terms of Use, any provisions you are required to offer under these API Terms of Use, or the terms of Zillow Terms of Use linked pursuant to Section 3 and the Zillow API Network Branding Requirements (the "Applicable Terms"), then you agree to notify Zillow promptly of such breach by e-mail to APINetwork@zillow.com, and to take prompt commercially reasonable corrective action at your expense to remedy such breach. In addition, upon request of Zillow, you will either (a) use commercially reasonable efforts to obtain such equitable relief to prevent harm to Zillow or its licensors, or (b) assign any of your applicable rights to permit Zillow or the applicable licensor to seek such equitable relief. Your obligations to report and enforce the Applicable Terms will survive termination of these API Terms of Use or your use of the Zillow API.
- 3. License to Zillow Brand & Links. You agree, and Zillow grants you a license, to implement the Zillow name, logo(s), and links to the Zillow website (the "Zillow Brand & Links") on any Web page incorporating the Zillow API and/or Zillow Data, in accordance with the Zillow API Network Branding Requirements. You shall not tag links to the Zillow website hereunder with a "nofollow" attribute or otherwise prevent or discourage search engines from following or scoring the link.
- 4. Acceptable Use. You agree not to use the Zillow API, Zillow Data, or Zillow Brand & Links in any way that is unlawful, or harms Zillow, its service providers, its suppliers, your end users, or any other person. Further, pursuant to Section 10 below, Zillow may terminate your use of the Zillow API, Zillow Data and Zillow Brand & Links if and when Zillow determines that your use is inappropriate.
- 5. Limited Relationship. You and Zillow are independent contractors, and nothing in these API Terms of Use shall be construed as creating an employer-employee relationship, a partnership, or a joint venture. While you may publicly refer to the fact that you have implemented the Zillow API, you agree not make any other public statements that assert or imply any other relationship with Zillow, unless you have Zillow's prior written approval.
- 6. Indemnity. You agree to hold harmless and indemnify Zillow, and its subsidiaries, affiliates, officers, agents, employees, and suppliers, from and against any third party claim arising from or in any way related to your or your users' use of the Zillow API or Zillow Data, use of Zillow Brand & Links other than as set forth in the Zillow API Network Branding Requirements, violation of these API Terms of Use or other actions connected with use of Zillow services, including any liability or expense arising from all claims, losses, damages (actual and consequential), suits, judgments, litigation costs and attorneys' fees, of every kind and nature. In such a case, Zillow will provide you with written notice of such claim, suit or action.
- 7. NO WARRANTY. ZILLOW PROVIDES THE ZILLOW API, ZILLOW DATA, AND ZILLOW BRAND & LINKS "AS IS," "WITH

ALL FAULTS" AND "AS AVAILABLE," AND THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY, AND EFFORT IS WITH YOU. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ZILLOW AND ITS SUPPLIERS MAKE NO REPRESENTATIONS, WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED. ZILLOW AND ITS SUPPLIERS EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES OR CONDITIONS, EXPRESS, STATUTORY AND IMPLIED, INCLUDING WITHOUT LIMITATION (A) WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, WORKMANLIKE EFFORT, ACCURACY, TITLE, QUIET ENJOYMENT, NO ENCUMBRANCES, NO LIENS AND NON-INFRINGEMENT, (B) WARRANTIES OR CONDITIONS ARISING THROUGH COURSE OF DEALING OR USAGE OF TRADE, AND (C) WARRANTIES OR CONDITIONS OF UNINTERRUPTED OR ERROR-FREE ACCESS OR USE.

8. LIABILITY LIMITATION; EXCLUSIVE REMEDY. IN NO EVENT WILL ZILLOW OR ANY SUPPLIER BE LIABLE FOR ANY DAMAGES, INCLUDING WITHOUT LIMITATION ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, OR

PUNITIVE DAMAGES ARISING OUT OF, BASED ON, OR RESULTING FROM THESE API TERMS OF USE OR YOUR USE OF ZILLOW API, ZILLOW DATA, OR ZILLOW BRAND & LINKS, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE EXCLUSION OF DAMAGES UNDER THIS PARAGRAPH IS INDEPENDENT OF YOUR EXCLUSIVE REMEDY AND SURVIVES IN THE EVENT SUCH REMEDY FAILS OF ITS ESSENTIAL PURPOSE OR IS OTHERWISE DEEMED UNENFORCEABLE. THESE LIMITATIONS AND EXCLUSIONS APPLY WITHOUT REGARD TO WHETHER THE DAMAGES ARISE FROM (A) BREACH OF CONTRACT, (B) BREACH OF WARRANTY, (C) NEGLIGENCE, OR (D) ANY OTHER CAUSE OF ACTION, TO THE EXTENT SUCH EXCLUSION AND LIMITATIONS ARE NOT PROHIBITED BY APPLICABLE LAW. IF YOU DO NOT AGREE WITH ANY PART OF THESE API TERMS OF USE, OR YOU HAVE ANY DISPUTE OR CLAIM AGAINST ZILLOW OR ITS SUPPLIERS WITH RESPECT TO THESE TERMS OF USE OR THE SERVICES, THEN YOUR SOLE AND EXCLUSIVE REMEDY IS TO DISCONTINUE USING THE ZILLOW API, ZILLOW DATA, AND ZILLOW BRAND & LINKS.

- 9. Intellectual Property. The Zillow API, Zillow Data, and Zillow Brand & Links are the property of Zillow, and subject to the intellectual property rights of Zillow and its licensors. (c) 2006-2012 Zillow, Inc. All rights reserved.
- 10. Changes. Zillow reserves the right to change the API Terms of Use, and you are responsible for regularly reviewing these API Terms of Use. Your continued use of the Zillow API and/or Zillow Data after the effective date of such changes will constitute acceptance of and agreement to any such changes. Zillow may suspend or discontinue the Services at any time to you and/or to others, without notice.
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- 12. Choice of Law; Disputes. These API Terms of Use are governed by the laws of the State of Washington, without giving effect to its conflict of laws provisions. You agree to submit to exclusive jurisdiction and venue in the state and federal courts sitting in King County, Washington, for any and all disputes, claims and actions arising from or in connection with the Services and/or these API Terms of Use. In any dispute arising under this Agreement, the prevailing party will be entitled to attorneys' fees and expenses.
- 13. General. You represent that you have the authority to bind the organization (if any) identified in your application for the Zillow API. You agree not to export from anywhere any part of the Zillow API, Zillow Data, or Zillow Brand & Links provided to you or any direct product thereof except in compliance with, and with all licenses and approvals required under, applicable export laws, rules and regulations. If provided to the U.S. government, the Zillow API, Zillow Data, or Zillow Brand & Links are provided with the commercial license rights described herein. If any part of these API Terms of Use is determined to be invalid or unenforceable, then the invalid or unenforceable provision will be replaced with a valid, enforceable provision that most closely matches the intent of the original provision and the remainder of these API Terms of Use will continue in effect. The section titles in these API Terms of Use are solely used for the convenience of the parties and have no legal or contractual significance. Zillow may assign these API Terms of Use, in whole or in part, at any time with or without notice to you. You may not transfer, assign, or delegate the API Terms of Use and your ZWSID to any third party. Zillow's failure to act with respect to a breach by you or others does not waive its right to act with respect to subsequent or similar breaches. Except as expressly stated herein, these API Terms of Use constitute the entire agreement between you and Zillow with respect to the Services and supersede all prior or contemporaneous communications of any kind between you and Zillow with respect to the Zillow API, Zillow Data, or Zillow Brand & Links.
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- You must use commercially reasonable efforts to prevent the Zillow Data from being downloaded in bulk or otherwise scraped. Such efforts include "spider traps," "C.A.P.T.C.H.A.," velocity checks, source IP analysis, or other methods that are as effective.
- · You may present data on no more than 20 individual properties at a time to any given user (e.g., per Web page).

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Zillow° 2011 Annual Report

Way

e*: \$640,000 525,000 (Apr 103)

> Sqft: 2,540 Lot: 5,125

1230 Lloyd Way

♠ For Sale: \$650,000 Price Cut: \$20,000 (Mar 1) Zestimate®: \$645,000

Beds: 4 Sqft: 2,550 Baths: 2.5 Lot: 5,220

1232 Lloyd Way

② Zestimate®: \$665,000 Last sold: \$825,000 (Feb '06)

Beds: 4 Sqft: 2,760 Baths: 3.0 Lot: 5,500

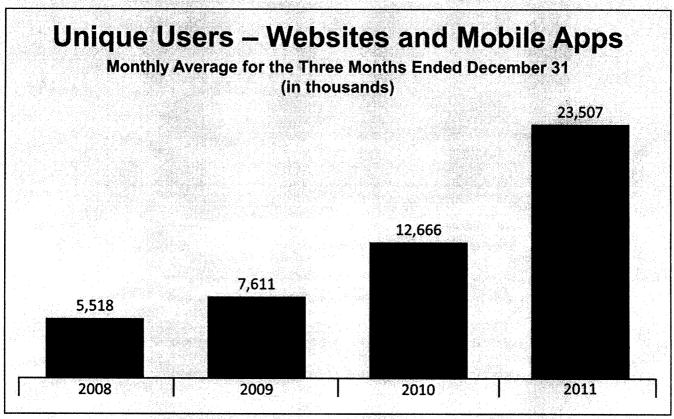
1234 Lloyd Way

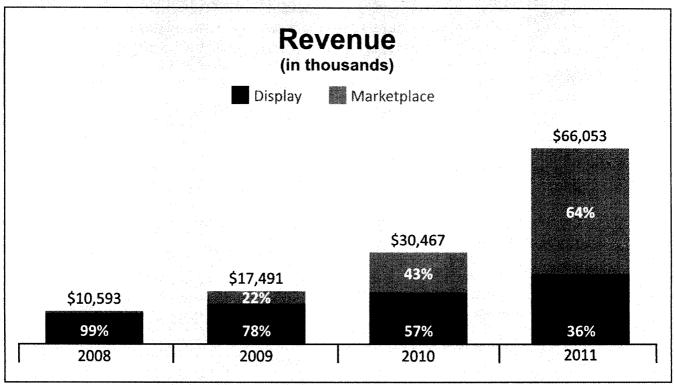
♠ For Rent: \$2,4
Rent Zestimate®

Beds: 4 S Baths: 2.0 L











Dear Fellow Shareholders.

2011 was an extraordinary year for Zillow in so many respects. After years of building a foundation for innovation in the real estate market, we made our debut as a public company in July, under the ticker symbol "Z". Our results indicate substantial potential for our continued growth: Zillow averaged 23.5 million monthly unique visitors in the last three months of 2011 (up 86% over the same period in 2010) and we achieved \$66.1 million in revenue (up 117% over 2010). On top of this we achieved Net Income and EBITDA profitability.

Our outstanding performance stems from our unwavering commitment to empower consumers with data and information, helping them become smarter about real estate and homes. An important part of this commitment is helping consumers find the best local real estate professionals to help, which in turn enhances the productivity of real estate professionals. While our list of product innovations from 2011 is too long to recite here, some highlights include the expansion of our industry leading mobile presence with the launch of six new mobile apps for real estate and mortgages, and the introduction of Rent Zestimates, which provide estimated rental prices for approximately 100 million homes and apartments across the country. Additionally, in 2011 we launched a partnership with Yahoo! Real Estate, whereby Zillow is the exclusive provider of for-sale listings and advertising sales for both companies. This partnership created the Zillow-Yahoo! Real Estate Network, the largest real estate network on the Web, creating massive marketing opportunities for real estate agents and their listings.

But perhaps the most significant milestone for Zillow in 2011 wasn't actually Zillow-specific. 2011 marked the first year that global smartphone sales outpaced PC sales, and more than 100 million people in the U.S. now own smartphones. Let me say that another way: the day is here now, or arriving soon, that more people access the Internet on smartphones than on traditional computers. The mobile revolution has catalyzed Zillow's business, and it is only fitting that I typed the first draft of this letter on a smartphone. It's amazing that today many of us carry more computing power in our pocket than we had on some of our desks only six years ago when Zillow launched on the Web.

We are in the midst of the greatest consumer tech platform shift since PCs entered the home 30 years ago. Every online business will be radically transformed by this platform shift, and tomorrow's winners won't necessarily be yesterday's winners. Not by a long shot.

Zillow has been a huge beneficiary of the mobile shift. We spotted this revolution early, and invested heavily. Zillow today has the most popular suite of mobile real estate apps across every major platform. More than 30% of Zillow's usage now comes from a mobile device; on weekends (prime home shopping days) it's over 40%. An average of 57 homes are viewed every second of every day on Zillow via a mobile device.

To put our mobile growth into context, consider this: Zillow now has more monthly usage on mobile than we had on our *entire website* just two years ago.

As real estate is a local business, we compete for homeshoppers' attention locally against other sources of online real estate information. On the Web, our real estate network is either the #1 or #2 real estate entity in all 20 of the largest 20 cities in the U.S.* But our market share lead is much more significant on mobile than it is even on the Web. That's because local real estate companies don't typically have the resources or the technical expertise to write software across fragmented mobile platforms. As a result, the competitive landscape on mobile is much less crowded, and consequently the national real estate leaders hold a significant advantage.

Many online companies boast of significant mobile usage. But most of them are struggling to adapt their revenue model to the small screen. For some companies, the migration to mobile is a boon to their usage metrics but will prove to be a serious detriment to their revenue. But for Zillow, our subscription-based Premier Agent advertising model works equally well across the Web and mobile, as home shoppers often are most interested in

contacting a local real estate agent when they are curbside, looking at homes. Approximately one-third of consumer contacts to Zillow Premier Agents come from homeshoppers using Zillow on a mobile device. We welcome the eventuality of a world where most consumption of real estate information occurs on a smartphone; Zillow is exceptionally well positioned for that future.

Each morning I come to work with tremendous energy and excitement for Zillow's future. While I'm proud of what Zillow has accomplished so far, I passionately believe that Zillow's best days are still ahead. We have barely scratched the surface of our potential in terms of consumer brand awareness, agent penetration (we have <1% wallet share of real estate agents' estimated \$6 billion annual ad spend), and adjacent opportunities (mortgages and rentals, to name but two). These are all areas where we plan to invest resources in the coming year.

I sincerely thank you being a fellow shareholder, and I can assure you that my colleagues and I remain as committed as ever to providing "your edge in real estate".

Sincerely,

Spencer Rascoff

Chief Executive Officer

Com m. Pull

@spencerrascoff

* Source: comScore Local Market Key Measures January 2012, Real Estate Category by Unique Visitors

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 (EXCHANGE ACT OF 1934	OR 15(d) OF THE SECURITIES
For the fiscal year ended December 31, 2011	
OR	
□ TRANSITION REPORT PURSUANT TO SECTION EXCHANGE ACT OF 1934	N 13 OR 15(d) OF THE SECURITIES
Commission File Numb	er 001-35237
ZILLOW,	
(Exact name of registrant as spe	•
Washington	20-2000033
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1301 Second Avenue, Floor 31,	tuentification No.)
Seattle, Washington	98101
(Address of principal executive offices)	(Zip code)
(206) 470-700	
(Registrant's telephone number, in	
Securities registered pursuant to Se	ection 12(b) of the Act:
Class A Common Stock, par value \$0.0001 per share	The Nasdaq Global Market
(Title of each class)	(Name of each exchange on which registered)
Securities registered pursuant to Se	ection 12(g) of the Act:
None	
Indicate by check mark whether the registrant is a well-known seasoned issuer, as def	ined in Rule 405 of the Securities Act: Yes No 🗸
Indicate by check mark whether the registrant is not required to file reports pursuant to	o Section 13 or 15(d) of the Act: Yes No 🗸
Indicate by check mark whether the registrant (1) has filed all reports required to be fithe preceding 12 months (or for such shorter period that the registrant was required to file spast 90 days. Yes 🔽 No 🗌	
Indicate by check mark whether the registrant has submitted electronically and posted be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 m submit and post such files). Yes $\boxed{\ }$ No $\boxed{\ }$	
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regu of registrant's knowledge, in definitive proxy or information statements incorporated by reform 10-K.	
Indicate by check mark whether the registrant is a large accelerated filer, an accelerate definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company"	
Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule	12b-2 of the Act): Yes ☐ No ☑
As of June 30, 2011, the last business day of the Registrant's most recently completed Registrant's Class A common stock and, therefore, the Registrant cannot calculate the aggregate of such date. At December 31, 2011, the aggregate market value of the Registrant's Class A such shares on The Nasdaq Global Market on such date was \$192,926,844.	regate market value of its Class A common stock held by non-affiliates as
As of February 24, 2012, 19,775,373 shares of Class A common stock and 8,760,626	shares of Class B common stock were outstanding.
DOCUMENTS INCORPORATE	D RY REFERENCE
The information required by Part III of this Report, to the extent not set forth herein, i	

proxy statement relating to its 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

ZILLOW, INC.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2011

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As used in this Annual Report on Form 10-K, the terms "the Company," "we," "us" and "our" refer to Zillow, Inc., unless the context indicates otherwise.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and "Business," contains forward-looking statements based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A (Risk Factors) of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Business

Mission

Our mission is to build the most trusted and vibrant home-related marketplace to empower consumers with information and tools to make smart decisions about homes.

Overview

Zillow is the leading real estate information marketplace. In addition to our websites, including Zillow.com, we operate Zillow Mobile, our suite of mobile real estate applications, and Zillow Mortgage Marketplace, where borrowers connect with lenders to find loans and get competitive mortgage rates. Zillow was incorporated as a Washington corporation in December 2004.

Zillow provides vital information about homes, real estate listings and mortgages through our websites and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. We are transforming the way people make home-related decisions. Zillow provides consumers and real estate professionals an "edge in real estate".

We maintain a commitment to providing consumers free access to as much useful information as possible. Our living database of more than 100 million U.S. homes includes homes for sale, homes for rent and homes not currently on the market. Individuals and businesses that use Zillow have updated information on more than 27 million homes and added more than 65 million home photos, creating exclusive home profiles. These profiles include detailed information about homes such as property facts, listing information and purchase and sale data. We provide this information to our users through our websites and through our industry-leading mobile applications that allow consumers to access our information when they are curbside, viewing homes.

Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide home-related services. Using complex, proprietary automated valuation models, we provide current home value estimates, or Zestimates, and current rental price estimates, or Rent Zestimates, on approximately 100 million U.S. homes. We present residential real estate data in ways that have changed the way consumers search for, find and understand home-related information and make real estate decisions.

Consumers increasingly are turning to the Internet and mobile devices for real estate information. For the three months ended December 31, 2011, more than 23.5 million average monthly unique users visited our websites and mobile applications, representing year-over-year growth of 86%. We operate the most popular suite of mobile real estate applications across all major platforms. During December 2011, nearly 100 million homes were viewed on Zillow on a mobile device.

Real estate and mortgage professionals are a critical part of the home-related marketplace. We enable consumers to connect with real estate and mortgage professionals best suited to meet their needs. We have created a trusted and transparent marketplace where consumers can search and read reviews on local real estate and mortgage professionals and contact those professionals on their own terms. Consumers initiate contact through our marketplace when they are ready to speak with real estate and mortgage professionals—providing those professionals with access to highly qualified clients and providing consumers with control over their decision-making process.

Our real estate marketplace benefits from network effects. As more consumers come to our website to use our products and services, more real estate and mortgage professionals contribute content to distinguish themselves, thereby making our marketplace more useful and attracting additional consumers.

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue has grown significantly since our initial website launch in 2006. For the year ended December 31, 2011, we generated revenue of \$66.1 million, as compared to \$30.5 million for the year ended December 31, 2010, representing an increase of 117%.

Industry Dynamics

The Importance of Homes

Homes are the center of peoples' lives, the focus of some of their most important decisions and often their most valuable assets. Deciding where to live, which home to choose and whether and when to rent or buy are among the most important decisions a person must make. Historically, objective information and advice about the value of homes has been hard to find and keep current, even though a home's changing value can profoundly influence many financial and personal decisions. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement.

Large Market Opportunities

Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide services related to home purchase and sale, rental, home financing, and home maintenance and improvement.

Sales of existing and new homes in the United States in 2010 had an aggregate transaction value of approximately \$1.2 trillion, according to data published in April 2011 by the U.S. Census Bureau and the National Association of REALTORS®, or NAR. In an effort to acquire new client relationships and sell homes, real estate agents and brokers spent an estimated \$6.2 billion on residential advertising in 2010, according to a 2011 report published by Borrell Associates. It was projected in 2011 that mortgage providers would spend approximately \$9.5 billion marketing their services and loan products to mortgage borrowers, according to a 2011 report published by Borrell Associates. Finally, there are billions of dollars more spent each year by home service and home improvement professionals, rental property managers and landlords, and other home-related professionals and businesses seeking to build client relationships and ultimately sell their products and services to our growing base of consumers.

Highly Fragmented, Local and Complex Market

The market for residential real estate transactions and home-related services is highly fragmented, local and complex. Each home has unique characteristics, including location, value, size, style, age and condition. Each consumer approaches home-related transactions with a personal set of objectives, priorities and values. Real estate agents generally operate in local markets as independent contractors with different experiences and skills. These conditions create challenges for consumers and real estate and mortgage professionals alike. Consumers are challenged to find information about homes, and to find real estate and mortgage professionals who fit their individual needs. Real estate and mortgage professionals are challenged to efficiently advertise their services and identify new clients, and to measure the effectiveness of their marketing efforts.

Absence of Consumer Orientation

Historically, consumers had minimal access to comprehensive and objective residential real estate data, even though many home-related decisions are extraordinarily information-intensive. While real estate and mortgage professionals had some data, consumers did not have free, independent and easy access to it. Even when accessible, the data was difficult to interpret and analyze.

Increasing Role of the Internet and Mobile Technologies

Consumers are increasingly turning to the Internet and mobile devices for real estate information. With the widespread adoption of mobile and location-based technologies, consumers increasingly expect home-related information to be available on their mobile devices where, when and how they want it.

Competitive Advantages

We believe we have the following competitive advantages:

- Living Database of Homes. Our dynamic and comprehensive living database includes detailed information on more than 100 million U.S. homes, and includes homes for sale, for rent and recently sold, as well as properties not currently on the market. This database is central to the value we provide to consumers and real estate and mortgage professionals. It contains extensive information that users can search, through an easy-to-use interface, to identify, analyze and compare homes. Our database is relevant to a broad range of users, including buyers, sellers, renters, homeowners, real estate agents and other real estate professionals. It includes information such as:
 - Property facts: Zestimate and its corresponding value range, number of bedrooms, number of bathrooms, square footage, lot size, assessed tax value and property type such as single-family, condominium, apartment, multifamily, manufactured home or land.
 - Listing information: price, price history and reductions, dollars per square foot, days on the market, listing type (such as for sale by agent, for sale by owner, foreclosures, new construction, rentals and Make Me Move homes) open houses, property photos and estimated monthly payment.
 - Purchase and sale data: prior sales information and recent sales nearby.

We synthesize data from hundreds of automated feeds, representing information from tens of thousands of public and private sources. Applying extensive computer analytics to the data, we transform it into information that is accessible, understandable and useful.

We refer to the database as "living" because the information is continually updated by the combination of our proprietary algorithms, synthesis of third-party data from hundreds of sources, and through improvements by us and, importantly, by our community of users. User-generated content from owners, agents and others enriches our database with photos and additional property information. For example, individuals and businesses that use Zillow have updated information on more than 27 million homes in our database and added more than 65 million home photos, creating exclusive home profiles available nowhere else. Our inimitable database enables us to create content, products and services not available elsewhere, and attracts an active, vibrant community of users. As of December 31, 2011, we had published more than 100,000 reviews of local real estate agents and nearly 10,000 reviews of mortgage professionals submitted by our users, and our users had submitted more than 500,000 questions and answers in our discussion forum, Zillow Advice. Zillow Advice allows consumers to ask questions of real estate and mortgage professionals and other consumers and quickly learn more about homes and real estate topics of interest. In particular, many of our dedicated active contributors devote substantial time sharing their expertise about Zillow and the real estate market on Zillow Advice. Real estate and mortgage professionals who participate in Zillow Advice play a key role in helping to educate consumers, and benefit from exposure to consumers and resulting referrals.

Zestimates and Rent Zestimates. We have developed industry-leading automated home valuation
models that use advanced statistical methods and complex, proprietary algorithms. We use these
models to provide current home value estimates, or Zestimates, and current rental price estimates, or
Rent Zestimates, on approximately 100 million U.S. homes. In addition, based on our Zestimates, we
produce Zillow Home Value Indexes at the neighborhood, zip code, city, metropolitan statistical area,
county and national levels. Our Zillow Home Value Indexes have been cited by government entities
such as the Federal Reserve Bank and the Congressional Oversight Panel, university studies and

respected national publications. For historical comparisons, we provide up to 15 years of Zestimate history on each home and valuable information about property and real estate market trends. Our Zestimates, Rent Zestimates and Zillow Home Value Indexes allow consumers to evaluate homes and neighborhoods, and to easily evaluate historical trends, as they contemplate critical home-related decisions.

- Independent Market Positions and Consumer Focus. Zillow has been built independent of any real estate industry group. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. We provide unbiased information, products and services, empowering consumers to make informed decisions about homes and the residential real estate market. We believe our independence enables us to create compelling products and services with broad consumer appeal.
- Powerful Brand and Scale. We have established a powerful brand identity and built a large user community in a short time. The majority of our usage comes to us organically and for free, not the result of advertising spend.
- Trusted, Transparent Marketplace. We have created a trusted and transparent marketplace where
 consumers can identify and connect with real estate and mortgage professionals that are best suited to
 meet their needs. Consumers initiate contact in our marketplace when they are ready to speak with real
 estate and mortgage professionals—providing those professionals with access to highly qualified
 clients and providing consumers with control over their decision-making process. As more consumers
 visit Zillow, more real estate and mortgage professionals are attracted, resulting in more successful
 matches between real estate and mortgage professionals and consumers, which in turn attracts even
 more professionals and consumers to Zillow.
- Consumer-Oriented Mortgage Marketplace. Unlike other sources of mortgage rate quotes, in Zillow Mortgage Marketplace consumers can anonymously submit mortgage loan requests and receive an unlimited number of personalized mortgage quotes directly from hundreds of consumer-rated lenders. Consumers can then choose to contact those lenders at their discretion. Because we operate this marketplace as part of our real estate home shopping experience, we can efficiently attract motivated users to the marketplace and prioritize the consumer's experience. In 2011, consumers submitted more than 5.5 million mortgage loan requests in Zillow Mortgage Marketplace.
- Mobile Leadership. Shopping for a home is a far more meaningful consumer experience when it occurs
 curbside, untethered and on location, so we have developed and operate the most popular suite of
 mobile real estate applications across all major platforms. These applications enable people to access
 and analyze information where, when and how they want it. In December 2011, nearly 100 million
 homes were viewed on Zillow on a mobile device.
- Personalized Experience. We present consumers and real estate and mortgage professionals with many opportunities to personalize their Zillow experience, leading to more informed home shopping and financing decisions. Users can save favorite homes on Zillow and receive monthly email updates on changes in those homes' values, listing status, price changes and other data. Users also can customize "saved searches" for any neighborhood or zip code and receive daily email updates on new homes listed for sale, for rent, or price changes for existing listed homes. Once a favorite home or search parameters are saved on Zillow, a consumer or professional may access these personalized options every time they visit Zillow on our websites or through a mobile device, personalizing a Zillow experience unique to them.
- Proven Management Team. We believe the broad experience and depth of knowledge of our management team are distinct competitive advantages in the complex and evolving industry in which we compete. The Zillow management team has extensive experience building successful consumer Internet companies. In particular, we believe that the shared experience of 11 of our executives, who held similar positions together at Expedia Inc., provides our management team with unique cohesion and insight.

Growth Strategies

Our growth strategies are:

- Focus on Consumers. Maintain our unwavering focus on consumers and leverage our industry
 independence to enhance existing products and services and develop new offerings with broad
 consumer appeal.
- Enhance Our Living Database. Enhance the information in our database of homes, and use it as the foundation for new analyses, insights and tools to inform consumers throughout the home ownership lifecycle.
- Deepen and Strengthen Our Marketplace. Deepen and strengthen our marketplace by creating new
 opportunities for high-quality consumer-initiated connections with real estate and mortgage
 professionals when consumers want their services.
- Efficiently Increase Brand Awareness. Expand public relations, social media and other marketing programs to efficiently increase brand awareness.
- Expand Our Platform. Extend our platform beyond marketing services for real estate agents to a platform that also includes other types of trade services and tools we can offer to real estate agents to help them manage and grow their business.
- Leverage Our Sales Force. Leverage our sales force's expertise and productivity with new advertising offerings.
- Expand Our Mobile Leadership. Innovate and expand our offerings for mobile devices, launching more applications and extending our brand and products across additional mobile platforms.
- Pursue Strategic Opportunities. Pursue strategic opportunities, including commercial relationships and acquisitions, to strengthen our market position, enhance our capabilities and accelerate our growth.

Advertising Products and Services

We provide advertising products and services for real estate and mortgage professionals that provide useful content for consumers.

Marketplace Advertising

Premier Agent Program

Real estate agents in the Premier Agent program can purchase targeted advertising on Zillow by zip code, at prices that vary based on three tiers of participation, Platinum Premier, Silver Premier and Basic Premier. The three tiers of participation were created to appeal to a broader range of agents and their marketing needs. Depending on the tier of participation, an agent's ratings, photo and contact information may be featured alongside home profiles and listings in the relevant zip code, giving the agent exposure to qualified home shoppers interested in homes in their subscribed zip code. Our multi-tiered Premier Agent advertising program, along with our Diverse Solutions agent website services and our Postlets syndication tool, serve as a foundation to extend our platform beyond just marketing services for real estate agents to a platform that also includes other types of trade services and tools we can offer to real estate agents to help them manage and grow their business.

Premier Agents may also receive other benefits, including featured listings, showcase advertisements and designation as a Premier Agent in Zillow's directory depending on their subscription tier. Premier Agent subscribers have access to a portal on our websites where we provide individualized program analytics, including detailed information on each contact and on clicks and impressions with respect to featured listings and showcase advertisements.

Zillow Mortgage Marketplace

In Zillow Mortgage Marketplace, consumers request free, personalized quotes in response to their submission of limited anonymous data, such as specific loan amount, zip code, purchase price or estimated home value, and credit score. In 2011, consumers submitted more than 5.5 million mortgage loan requests in Zillow Mortgage Marketplace. Consumers decide if and when to contact the mortgage professionals who provide quotes. User-generated ratings and reviews of mortgage professionals are provided as a powerful tool to help consumers shop for their loans.

Display Advertising

Our display advertising primarily consists of graphical web and mobile advertising sold on a cost per thousand impressions ("CPM") basis. We offer these businesses display advertising opportunities on our home page, on individual web pages through graphical displays and text links, and on our mobile applications through display ads that are optimized for the mobile experience.

Information Products and Services

We provide consumers with information products and services to enable them to make intelligent decisions about homes.

Zestimates and Rent Zestimates

Our Zestimate and Rent Zestimate valuations are computed using complex, proprietary algorithms we have developed and refined through years of statistical analysis and technological development.

A Zestimate is our estimated current market value of a home. We generate Zestimates using proprietary information, including:

- Physical attributes: location, lot size, square footage, number of bedrooms and bathrooms and many other details.
- Tax assessments: property tax information, actual property taxes paid, exceptions to tax assessments and other information provided in the tax assessors' records.
- Prior and current transactions: actual sale prices over time of the home itself and comparable recent sales of nearby homes.

We use proprietary automated valuation models that apply advanced algorithms to analyze our data to identify relationships, within a specific geographic area, between this home-related data and actual sales prices. Home characteristics, such as square footage, location or the number of bathrooms, are given different weights according to their influence on home sale prices in each specific geography over a specific period of time, resulting in a set of valuation rules, or models, that are applied to generate each home's Zestimate.

To improve the accuracy of our Zestimates, our algorithms automatically remove or reconcile data that would otherwise inappropriately skew the valuation rules. In addition, our algorithms will automatically generate a new set of valuation rules based on the constantly changing universe of data included in our database. This allows us to provide timely home value information on a massive scale, updated three times a week.

We publicly disclose the accuracy of our Zestimates to further empower consumers in assessing a home's value. The accuracy may be impacted by a variety of factors, including the amount of data about homes we have for a particular geographic area.

A Rent Zestimate is our estimated current monthly rental price of a home, computed using similar automated valuation models we have designed to address the unique attributes of a rental home. We estimate rental prices on approximately 100 million homes, including apartments, single-family homes, condominiums and townhomes.

Rich, Searchable Home-Related Data and Analysis

We provide consumers and real estate professionals with a rich set of home-related information. Through our websites or mobile applications, users can access detailed information about homes, including:

Value Information	Zestimate Rent Zestimate For sale price Estimated mortgage payment Rental price Make Me Move price	Prior sale prices Historical Zestimate values Historical Rent Zestimate values Zillow Home Value Index Tax-assessed value Property taxes paid			
Home Details	Bedrooms Bathrooms Square footage Lot size Year built Property type County Parcel number Legal description	Number of stories Number of units in building Finished basement Cooling system Heating system Heat source Fireplace Exterior material Parking type			
Neighborhood Information	School district Elementary school Middle school	High school Walkability Transit access			
Listing Details	Price Listing agent information Listing brokerage information Link to listing source	Price reductions Days on Zillow MLS number			

Consumers and real estate professionals can update property information by, for example, adding home photos and personalized information regarding the neighborhood or school district, creating exclusive home profiles available nowhere else.

Our map-based user interface enables our users to search, navigate and zoom to areas of interest and find and compare home information quickly and efficiently from a variety of different perspectives across homes, neighborhoods, cities, counties and other geographical regions. Our consumer search experience supports complex search queries and filters across our data set of homes, allowing consumers to customize their searches and gain actionable insights.

Our team of economists and statisticians generates unbiased local and national real estate data and analysis on 371 metropolitan areas and approximately 8,600 individual neighborhoods that we provide to consumers and real estate and mortgage professionals at no cost. This gives our users access to local market trends and data, such as home price cuts, list to sale price ratio and foreclosure data that was historically not easily obtained, if available at all. Users can compare these metrics across neighborhoods and different time periods using our real-time charting and filtering.

For Sale and Rental Listings

We provide comprehensive for sale and rental listings through relationships with real estate brokerages, real estate listings aggregators, multiple listing services, apartment management companies, home builders and other third-parties. In addition, we provide consumers with access to exclusive home listings, such as our Make Me Move listings, which are a homeowner's posted price at which they would be willing to move. We also show listings that may not be available on other sources, such as for sale by owner, foreclosure and rental listings. Real estate agents and landlords may feature and gain more exposure for their listings through our advertising products.

Marketplace of Real Estate Agents

We present consumers with ratings and contact information for the listing agent and local buyer's agents alongside home profiles and listings for homes to assist them in evaluating and selecting the real estate agent best suited for them. We enhance this offering by providing an online professional directory for consumers to search and contact real estate professionals that they might wish to engage. Our directory includes rich profiles of real estate professionals, including more than 100,000 ratings and reviews provided by our users, allowing consumers to evaluate these agents based on a number of criteria, including neighborhood specialization, number of listings and number of contributions to Zillow Advice.

Home-Related Advice and Discussions

Consumers have many questions and often seek advice during various stages of their home-ownership lifecycle. The Zillow Advice section of our Zillow.com website captures questions and discussion topics from our users, both consumers and real estate and mortgage professionals. This allows our consumers to ask questions of other consumers and real estate and mortgage professionals and quickly learn more about relevant topics. Our users have submitted more than 500,000 questions and answers to Zillow Advice as of December 31, 2011. Zillow Advice also provides real estate and mortgage professionals with an opportunity to help educate consumers and demonstrate their local expertise. These discussions and content are also indexed and searchable by geography and other custom parameters, allowing users to quickly find the information they seek. Email updates are used to provide ongoing monitoring and delivery of posts related to topics of interest.

Mobile Access

We operate the most popular suite of mobile real estate applications across all major mobile platforms. Our mobile real estate applications provide consumers and real estate and mortgage professionals with location-based access to many of our products and services, including Zestimates, Rent Zestimates, for sale and rental listings and extensive home-related data. Through our mobile applications, for example, a consumer standing curbside at a home for sale can learn about the home's for-sale price, Zestimate, number of bedrooms, square footage and past sales, as well as similar information about surrounding homes. The consumer can call a real estate professional through our mobile applications to get more information or schedule a showing. During December 2011, nearly 100 million homes were viewed on Zillow on a mobile device.

Marketing

At Zillow, marketing starts with product development. We create compelling consumer products that people want to talk about and share. This enables us to execute a robust and viral communications program that is the primary driver of our brand and traffic acquisition efforts. We launched the consumer brand with communications at the core of our marketing strategy, which has allowed us to grow to more than 23.5 million average monthly unique users for the three months ending December 31, 2011. The majority of our traffic and brand awareness comes to us organically and free, without advertising spend.

Our communications team includes former print and broadcast journalists, who have established Zillow as an authoritative source for information on a broad range of home and real estate-related subjects. A typical week includes commentary from our real estate experts across dozens of national print and broadcast media outlets, guest opinion pieces or blog posts by our chief economist, and wide-ranging national and local media coverage of Zillow products, listings, data, and consumer tips. We also produce considerable home and real estate-related content on Zillow Blog that is syndicated across numerous prominent media sites. Zillow Blog content ranges from real estate market trends, to home financing tips, to celebrity real estate listings.

We focus substantial public relations effort around the marketing of our Zillow Real Estate Market Reports, which are in-depth reports produced by our economics and analytics bureau for 165 U.S. markets. Data is released on a monthly and quarterly basis, and Zillow data is widely used by government entities such as the Federal Reserve and Congressional Oversight Panel, as well as regularly featured in respected media outlets such as the *Wall Street Journal*, *New York Times*, *Bloomberg*, *Reuters* and across numerous national network and cable news shows including CNBC, CNN, Fox News, Bloomberg and MSNBC. We believe the considerable effort we have spent on public relations and social media has allowed us to build a large and credible brand.

Our living database of homes creates significant opportunities for home-ownership lifecycle marketing. A typical person will at various times in life be a renter, buyer, homeowner, mortgage refinancer or seller, and this presents opportunities to communicate with consumers over many years, not just during a transaction. We actively segment and communicate with our users through email and social media channels. During the year ended December 31, 2011, we sent more than 175 million email messages to Zillow email subscribers, and we see substantial opportunities to grow home-ownership lifecycle marketing.

We believe Zillow has considerable opportunity to increase brand awareness and grow traffic through product development, targeted marketing programs and strategic partnerships.

Sales and Customer Support

Our sales team is responsible for generating advertising customers across our websites and mobile applications.

We primarily use a Seattle-based sales team to sell Premier Agent subscriptions to real estate agents. We attract customers through a combination of outbound calling and inbound customer requests generated from our websites and event marketing activities. We also maintain a field sales team in New York, New York, with additional offices in Chicago, Illinois and San Francisco, California, to specifically target larger advertising customers in the real estate and related content categories, such as real estate brokerages, home builders, lenders and home service providers, as well as advertisers in the telecommunications, automotive, insurance and other industries. We also have an office in Irvine, California, which we established in connection with our October 2011 acquisition of substantially all of the operating assets of Diverse Solutions, Inc.

As part of our sales and distribution strategy, we entered into a strategic relationship with Yahoo! Inc. that launched in the first quarter of 2011. Our sales team serves as the exclusive sales force for real estate agent advertising and certain graphical advertising on the Yahoo! Real Estate site.

We believe that customer support is important to our success. Our customer support team, which is located primarily in Seattle, responds to commercial, technical and consumer issues from our user community and advertisers. The Zillow Advice forum augments our direct customer support by enabling consumers to obtain answers to questions from our employees and other members of our user community, including real estate and mortgage professionals.

Technology and Infrastructure

Zillow is a data- and technology-driven company. Our technical infrastructure, websites and mobile products are built to provide consumers and real estate and mortgage professionals with access to rich real estate data and powerful online tools to help them accomplish their home-related goals. Many of our services are available through real-time web-based application programming interfaces that allow our information to be easily integrated into third-party websites. We provide HTML and Javascript-based widgets to allow easy integration of Zillow information onto other websites, with little custom programming. Our technology platform is built using industry-leading third-party software and internally developed software as well as open source technologies. This combination allows for rapid development and release of high-performance software in a cost-effective and scalable manner. For information about our research and development costs, see Note 2 of the accompanying notes to our financial statements included within this annual report.

Our websites are primarily hosted at a third-party facility located in the Seattle area. Content delivery network solutions have been put in place to ensure fast and local access to content. Development and test environments are located in a data center we manage at our corporate headquarters.

Intellectual Property

We protect our intellectual property through a combination of trademarks, trade dress, domain names, copyrights, trade secrets and patents, as well as contractual provisions and restrictions on access to our proprietary technology.

Our trademarks registered in the United States and several other jurisdictions include "Zillow," "Zillow.com," "Zestimate" and the Zillow logo. We also have filed other trademark applications in the United States and certain other jurisdictions and will pursue additional trademark registrations to the extent we believe it will be beneficial and cost-effective.

We have three patents issued in the United States, two that expire in 2026 and one that expires in 2027, and one patent issued in Australia that expires in 2027. These cover proprietary techniques that relate to determining a current value for a real estate property, performing summarization of geographic data points in response to zoom selection, the incorporation of individual aerial images and incorporating visual information into a master planar image, and the collection, storage and display of home attribute values. We have 11 patent applications pending in the United States, which seek to cover proprietary techniques relevant to our products and services. We intend to pursue additional patent protection to the extent we believe it will be beneficial and cost-effective.

We are the registered holder of a variety of domestic and international domain names that include "Zillow.com," "Postlets.com", "DiverseSolutions.com", our other trademarks, and similar variations.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners. Our employees and contractors are also subject to invention assignment provisions. We further control the use of our proprietary technology and intellectual property through provisions in both our general and product-specific terms of use on our websites.

Competition

We face competition to attract consumers to our websites and mobile applications and to attract advertisers to purchase our advertising products and services.

Competition for Consumers

We compete for the attention of consumers with companies that operate, or could develop, national and local real estate and mortgage websites and mobile applications. We compete for consumers primarily on the basis of the quality of the consumer experience, the utility of the data and services we provide, the breadth, depth and accuracy of information, and brand awareness and reputation. We believe we compete favorably on these factors.

Competition for Advertisers

We compete for advertising customers with media sites, including websites dedicated to providing real estate and mortgage information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers' overall marketing budgets with traditional media such as newspapers, television, magazines, and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate agents and mortgage lenders to advertise their qualifications or listings. We compete for advertising revenue based on perceived return on investment, the effectiveness and relevance of our advertising products, pricing structure and our ability to effectively deliver types of ads to targeted demographics. We believe we compete favorably on these factors.

Government Regulation

We are affected by laws and regulations that apply to businesses in general, as well as to businesses operating on the Internet. This includes a continually expanding and evolving range of laws, regulations and standards that address information security, data protection, privacy, consent and advertising, among other things. By providing a medium through which users can post content and communicate with one another, we may also be subject to laws governing intellectual property ownership, obscenity, libel, and privacy, among other issues. In addition, the real estate agents, mortgage brokers, banks, and some of our other customers and advertisers on our websites and mobile applications are subject to various state and federal laws and regulations relating to real estate and mortgages. While we do not believe that we are currently subject to these regulations, we intend to ensure that any content created by Zillow is consistent with them by obtaining assurances of compliance from our advertisers and customers for their activities through, and the content they provide on, our websites and mobile applications. Since the laws and regulations governing real estate and mortgages are constantly evolving, it is possible that some part of our business activities could fall within the scope of regulation or be prohibited altogether at some point in the future.

Employees

As of December 31, 2011, we had 329 full-time employees.

Where You Can Find More Information

Our filings with the Securities and Exchange Commission, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website at www.zillow.com, free of charge, as soon as reasonably practicable after the electronic filing of these reports with the Securities and Exchange Commission. The information contained on our website is not a part of this annual report on Form 10-K.

Item 1A. Risk Factors

Our business is subject to numerous risks. You should carefully consider the following risk factors, as any of these risks could harm our business, results of operations, and financial condition and our prospects. In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Risks Related to Our Business

We have incurred significant operating losses in the past and we may not be able to generate sufficient revenue to be profitable over the long term.

Since our inception in December 2004, we have incurred significant net operating losses and, as of December 31, 2011, we had an accumulated deficit of \$77.6 million. Although we have experienced significant growth in our revenue, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. At the same time, we also expect our costs to increase in future periods as we continue to expend substantial financial resources to develop and expand our business, including on:

- · product development;
- sales and marketing;
- · our technology infrastructure;
- · strategic opportunities, including commercial relationships and acquisitions; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we fail to continue to grow our revenue and overall business and to manage our expenses, we may continue to incur significant losses in the future and not be able to achieve or maintain profitability.

We may be unable to maintain or establish relationships with real estate brokerages, real estate listing aggregators, multiple listing services, apartment management companies, home builders and other third-party listing providers, which could limit the information we are able to provide to our users.

Our ability to attract users to our websites and mobile applications depends to some degree on providing a robust number of for sale and rental listings. To provide these listings, we maintain relationships with real estate brokerages, real estate listing aggregators, multiple listing services, apartment management companies, home builders, other third-party listing providers, and homeowners and their real estate agents to include listing data in our services. Many of our agreements with real estate listing providers are short-term agreements that may be terminated with limited notice. The loss of some of our existing relationships with listing providers, whether due to termination of agreements or otherwise, or an inability to continue to add new listing providers, may cause our listing data to omit information important to users of our products and services. This could reduce user confidence in the sale and rental data we provide and make us less popular with consumers, which could harm our business, results of operations and financial condition.

If real estate and mortgage professionals or other advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our business would be harmed.

Our current financial model depends on advertising revenue generated almost entirely through sales to real estate agents and brokerages, mortgage lenders and advertisers in categories relevant to real estate. Our ability to attract and retain advertisers, and ultimately to generate advertising revenue, depends on a number of factors, including:

• increasing the number of consumers of our products and services;

- competing effectively for advertising dollars with other online media companies;
- continuing to develop our advertising products and services;
- keeping pace with changes in technology and with our competitors; and
- offering an attractive return on investment to our advertisers for their advertising spending with us.

While real estate agents participating in our subscription-based Premier Agent program generally initially commit to contract terms of six months, we do not have long-term contracts with most of our other advertisers. Those advertisers could choose to modify or discontinue their relationships with us with little or no advance notice. In addition, as existing subscriptions for our Premier Agent program expire, we may not be successful in renewing these subscriptions, securing new subscriptions or increasing the amount of revenue we earn for a given subscription over time. We may not succeed in retaining existing advertisers' spending or capturing a greater share of such spend if we are unable to convince advertisers of the effectiveness or superiority of our products as compared to alternatives, including traditional offline advertising media such as television and newspapers, or successfully implement changes to our pricing methodology. If current advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our advertising revenue and business, results of operations and financial condition would be harmed. In addition, if we do not realize the benefits we expect from strategic relationships we may enter into, including for example, the generation of additional advertising revenue opportunities, our business could be harmed.

If we do not innovate and provide products and services that are attractive to our users and to our advertisers, our business could be harmed.

Our success depends on our continued innovation to provide products and services that make our websites and mobile applications useful for consumers and real estate and mortgage professionals and attractive to our advertisers. As a result, we must continually invest significant resources in research and development in order to improve the attractiveness and comprehensiveness of our products and services and effectively incorporate new Internet and mobile technologies into them. If we are unable to provide products and services that users, including real estate professionals, want to use, then users may become dissatisfied and use competitors' websites and mobile applications. If we are unable to continue offering innovative products and services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which could harm our business, results of operations and financial condition.

We may be unable to increase awareness of the Zillow brand cost-effectively, which could harm our business.

We rely heavily on the Zillow brand, which we believe is a key asset of our company. Awareness and perceived quality and differentiation of the Zillow brand are important aspects of our efforts to attract and expand the number of consumers who use our websites and mobile applications. Should the competition for awareness and brand preference increase among online real estate information providers, we may not be able to successfully maintain or enhance the strength of our brand. If we are unable to maintain or enhance user and advertiser awareness of our brand cost-effectively, our business, results of operations and financial condition could be harmed.

We are dependent on the real estate industry, and changes to that industry, or declines in the real estate market or increases in mortgage interest rates, could reduce the demand for our products and services.

Our financial prospects are significantly dependent on real estate shoppers using our services. Real estate shopping patterns depend on the overall health of the real estate market. Changes to the regulation of the real estate industry, including mortgage lending, may negatively impact the prevalence of home ownership. Changes to the real estate industry, declines in the real estate market or increases in mortgage interest rates could reduce demand for our services. Real estate markets also may be negatively impacted by a significant natural disaster, such as earthquake, fire, flood or other disruption.

We may be unable to maintain or establish relationships with data providers, which could limit the information we are able to provide to our users and impair our ability to attract or retain users.

We obtain real estate data, such as sale transactions, property descriptions, tax-assessed value and property taxes paid, under licenses from third-party data providers. We use this data to enable the development, maintenance and improvement of our information services, including Zestimates and Rent Zestimates and our living database of homes. We have invested significant time and resources to develop proprietary algorithms, valuation models, software and practices to use and improve upon this specific data. We may be unable to renew our licenses with these data providers, or we may be able to do so only on terms that are less favorable to us, which could harm our ability to continue to develop, maintain and improve these information services and could harm our business, results of operations and financial condition.

We may in the future be subject to disputes regarding the accuracy of our Zestimates and Rent Zestimates.

We provide our users with Zestimate and Rent Zestimate home and rental valuations. A Zestimate is our estimated current market value of a home based on our proprietary automated valuation models that apply advanced algorithms to analyze our data; it is not an appraisal. A Rent Zestimate is our estimated current monthly rental price of a home, using similar automated valuation models that we have designed to address the unique attributes of rental homes. Revisions to our automated valuation models, or the algorithms that underlie them, may cause certain Zestimates or Rent Zestimates to vary from our expectations for those Zestimates or Rent Zestimates. In addition, from time to time, users disagree with our Zestimates and Rent Zestimates. Any such variation in Zestimates or Rent Zestimates or disagreements could result in distraction from our business or potentially harm our reputation and could result in legal disputes.

We face competition to attract consumers to our websites and mobile applications, which could impair our ability to continue to grow the number of users who use our websites and mobile applications, which would harm our business, results of operations and financial condition.

Our success depends on our ability to continue to attract additional consumers to our websites and mobile applications. Our existing and potential competitors include companies that operate, or could develop, national and local real estate and mortgage websites. These companies could devote greater technical and other resources than we have available, have a more accelerated time frame for deployment and leverage their existing user bases and proprietary technologies to provide products and services that consumers might view as superior to our offerings. Any of our future or existing competitors may introduce different solutions that attract consumers or provide solutions similar to our own but with better branding or marketing resources. If we are unable to continue to grow the number of consumers who use our websites and mobile applications, our business, results of operations and financial condition would be harmed.

We may be unable to compete successfully against our existing or future competitors in attracting advertisers, which could harm our business, results of operations and financial condition.

We compete to attract advertisers with media sites, including websites dedicated to providing real estate and mortgage information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers' overall marketing budgets with traditional media such as television, magazines, newspapers and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate professionals to advertise their qualifications and listings. Large companies with significant brand recognition have large numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic, which may provide a competitive advantage. To compete successfully for advertisers against future and existing competitors, we must continue to invest resources in developing our advertising platform and proving the effectiveness and relevance of our advertising products and services. Pressure from competitors seeking to acquire a greater share of our advertisers' overall marketing budget could adversely affect our pricing

and margins, lower our revenue, and increase our research and development and marketing expenses. If we are unable to compete successfully against our existing or future competitors, our business, financial condition or results of operations would be harmed.

Our dedication to making decisions based primarily on the best interests of consumers may cause us to forgo short-term gains.

Our guiding principle is to build our business by making decisions based primarily upon the best interests of consumers, which we believe has been essential to our success in increasing our user growth rate and engagement and has served the long-term interests of our company and our shareholders. In the past, we have forgone, and we will in the future forgo, certain expansion or short-term revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term. In addition, our philosophy of putting consumers first may negatively impact our relationships with our existing or prospective advertisers. This could result in a loss of advertisers which could harm our revenue and results of operations. For example, we believe that some real estate agents have chosen not to purchase our Premier Agent subscriptions because we display a Zestimate on their for sale listings. However, we believe it is valuable to consumers to have access to a valuation starting point on all homes and so we display a Zestimate on every home in our database for which we have sufficient data to produce the Zestimate. Similarly, we gather and make available to our consumers reviews on real estate and mortgage professionals, even if those reviews are unfavorable. Although real estate and mortgage professionals who receive unfavorable reviews may be less likely to purchase our advertising products and services, we continue to post favorable and unfavorable reviews because we believe the reviews are useful to consumers in finding the right professional. Our principle of making decisions based primarily upon the best interests of consumers may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business and results of operations could be harmed.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, which places substantial demand on management and our operational infrastructure. Most of our employees have been with us for fewer than two years. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the beneficial aspects of our company culture. In particular, we intend to pursue strategic opportunities and make substantial investments in our technology and development and sales and marketing organizations. If we do not manage the growth of our business and operations effectively, the quality of our services and efficiency of our operations could suffer, which could harm our brand, results of operations and overall business.

If use of the Internet and mobile technology, particularly with respect to online real estate products and services, does not continue to increase as rapidly as we anticipate, our business could be harmed.

Our future success is substantially dependent on the continued use of the Internet and mobile technology as effective media of business and communication by our consumers. Internet and mobile technology use may not continue to develop at historical rates, and consumers may not continue to use the Internet or mobile technology as media for information exchange. Further, these media may not be accepted as viable long-term outlets for information for a number of reasons, including actual or perceived lack of security of information and possible disruptions of service or connectivity. If consumers begin to access real estate information through other media and we fail to innovate, our business may be negatively impacted.

We rely on the performance of highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our management and our highly skilled team of employees, including our software engineers, statisticians, marketing

professionals and advertising sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The loss of any of our senior management or key employees could materially adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be harmed.

Any significant disruption in service on our websites or in our network could damage our reputation and result in a loss of users of our products and services and of advertisers, which could harm our business, results of operations and financial condition.

Our brand, reputation and ability to attract users and advertisers depend on the reliable performance of our network infrastructure and content delivery processes. We have experienced minor interruptions in these systems in the past, including server failures that temporarily slowed the performance of our websites and mobile applications, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our products and services on our websites and mobile applications and prevent or inhibit the ability of users to access our services. Problems with the reliability or security of our systems could harm our reputation, result in a loss of users of our products and services and of advertisers and result in additional costs, any of which could harm our business, results of operations and financial condition.

Substantially all of the communications, network and computer hardware used to operate our websites are located at facilities in the Seattle area. We do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur.

A failure of our systems at one site could result in reduced functionality for our users, and a total failure of our systems could cause our websites or mobile applications to be inaccessible. Problems faced by our third-party web hosting providers with the telecommunications network providers with which they contract or with the systems by which they allocate capacity among their customers, including us, could adversely affect the experience of our users. Our third-party web hosting providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy reorganization, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing needs for capacity, this could harm our business.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business that may result from interruptions in our service as a result of system failures. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and harm our business, results of operations and financial condition.

We may make acquisitions and investments, which could result in operating difficulties, dilution and other harmful consequences.

We continue to evaluate a wide array of potential strategic opportunities. For example, in March 2011, we acquired the operating assets of Postlets LLC, a real estate agent and rental property manager marketing service, and in October 2011, we acquired substantially all of the assets of Diverse Solutions, Inc., a company that helps real estate agents market their businesses and improve their personal websites. Any transactions that we enter

into could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. The areas where we face risks include:

- diversion of management time and focus from operating our business to acquisition integration challenges;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- · retention of employees from the acquired company;
- liability for activities of the acquired company before the acquisition;
- litigation or other claims arising in connection with the acquired company; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business, results of operations and financial condition.

We are subject to a variety of federal and state laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of federal and state laws that are continuously evolving and developing, including laws regarding the real estate and mortgage industries, Internet-based businesses and businesses that rely on advertising. These laws can be costly to comply with, can require significant management time and effort, and can subject us to claims or other remedies. These laws may conflict with each other and if we comply with the laws of one jurisdiction, we may find that we are violating laws of another jurisdiction. Additionally, our ability to provide a specific target audience to advertisers is a significant competitive advantage. Any legislation reducing this ability would have a negative impact on our business and results of operations.

If we are unable to comply with these laws or regulations, if we become liable under these laws or regulations or if unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies are implemented, we could be directly harmed and forced to implement new measures to reduce our exposure to this liability and it could cause the development of product or service offerings in affected markets to become impractical. This may require us to expend substantial resources or to discontinue certain products or services, limit our ability to expand our product and services offerings or expand into new markets or otherwise harm our business, results of operations and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and results of operations.

We assist with the processing of customer credit card transactions which results in us receiving personally identifiable information. This information is increasingly subject to legislation and regulation in the United States. This legislation and regulation is generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We have registered domain names for our websites that we use in our business, such as Zillow.com, Postlets.com and DiverseSolutions.com. If we lose the ability to use a domain name, we may incur significant expenses to market our products and services under a new domain name, which could harm our business. In addition, our competitors could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names and determining the rights of others may require litigation, which could result in substantial costs and diversion of management's attention.

We may be unable to adequately protect our intellectual property, which could harm the value of our brand and our business.

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and contracts to protect our proprietary rights. If we are not successful in protecting our intellectual property, the value of our brand and our business, results of operations and financial condition could be harmed.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that our operations do not, or will not, infringe valid, enforceable patents of third parties or that competitors will not devise new methods of competing with us that are not covered by our patents or patent applications. There also can be no assurance that our patent applications will be approved, that any patents issued will adequately protect our intellectual property, that such patents will not be challenged by third parties or found to be invalid or unenforceable or that our patents will be effective in preventing third parties from utilizing a "copycat" business model to offer the same products or services. Moreover, we rely on intellectual property and technology developed or licensed by third parties, and we may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all.

Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services may be provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions, we may be unable to protect intellectual property and our proprietary technology adequately against unauthorized third-party copying or use, which could harm our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. To the extent third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events could harm our business, results of operations or financial condition.

Intellectual property disputes are costly to defend and could harm our business, results of operations, financial condition and reputation.

From time to time, we face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We are currently subject to patent infringement claims. These claims allege, among other things, that aspects of our technology infringe upon the plaintiffs' patents. If we are not successful in defending ourselves against these claims, we may be required to pay damages and may be subject to injunctions, each of which could harm our business, results of operations, financial condition and reputation. We may be subject to future claims or allegations relating to our intellectual property rights. As we grow our

business and expand our operations we expect that we will continue to be subject to intellectual property claims and allegations. Patent and other intellectual property disputes or litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain products, services or features, purchase licenses which may be expensive to procure or modify our products or services. In addition, patent or other intellectual property disputes or litigation may result in significant settlement costs. Any of these events could harm our business, results of operations, financial condition and reputation.

In addition, we use open source software in our services and will continue to use open source software in the future. From time to time, we may be subject to claims brought against companies that incorporate open source software into their products or services, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to changing our products or services, any of which would have a negative effect on our business and results of operations.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could harm our business, results of operations, financial condition and reputation.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

In order to protect our technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. To the extent that our employees, contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. The loss of trade secret protection could make it easier for third parties to compete with our products by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations, reputation and competitive position.

We may be unable to halt the operations of websites that aggregate or misappropriate our data.

From time to time, third parties have misappropriated our data through website scraping, robots or other means and aggregated this data on their websites with data from other companies. In addition, copycat websites have misappropriated data on our network and attempted to imitate our brand or the functionality of our websites. When we have become aware of such websites, we have employed technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may not be adequate to protect us against the impact of the operation of such websites. Regardless of whether we can successfully enforce our rights against the operators of these websites, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

If our security measures are compromised, consumers may curtail use of our products and services and advertisers may reduce their advertising on our websites.

Our products and services involve the storage and transmission of users' information, some of which may be private, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability and litigation. For example, a hacker could steal a user's profile password and manipulate information about that user's home or post to a forum while posing as that user. Like all websites, our websites are vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personal or other confidential information. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our websites or mobile applications, or the loss or unauthorized disclosure of confidential information, our users and advertisers may lose trust and confidence in us, and users may decrease the use of our websites or stop using our websites in their entirety, and advertisers may decrease or stop advertising on our websites. Further, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our information or our users' or advertisers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new users and increase engagement by existing users, cause existing users to curtail or stop use of our products or services or close their accounts, cause existing advertisers to cancel their contracts, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business, results of operations and financial condition.

We are subject to a number of risks related to the credit card and debit card payments we accept.

We accept payments through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge or suffer an increase in our operating expenses, either of which could harm our business, financial condition and results of operations.

We depend on processing vendors to complete credit and debit card transactions. If we or our processing vendors fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers' credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors. Any failure to comply fully also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, card holders and transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

If we are unable to maintain our chargeback rate or refund rates at acceptable levels, our processing vendors may increase our transaction fees or terminate their relationships with us. Any increases in our credit and debit card fees could harm our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We have pledged substantially all of our assets to secure indebtedness.

In March 2011, we entered into an agreement with a financial institution to establish a \$4.0 million line of credit to be used for general business purposes. Indebtedness we incur under this agreement is secured by substantially all our assets other than our intellectual property. If we default on our obligations under this agreement, the financial institution may foreclose on our assets, which would materially and adversely impact our business. On March 22, 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our new Seattle offices and reserved this amount against the line of credit, which subsequently reduced the available line to \$2.5 million. As of December 31, 2011, there were no other amounts outstanding under the line of credit.

We expect our results of operations to fluctuate on a quarterly and annual basis.

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside our control. The other risk factors discussed in this "Risk Factors" section may contribute to the variability of our quarterly and annual results. In addition, our results may fluctuate as a result of fluctuations in the quantity of, and the price at which we are able to sell, our remnant advertising and the size and seasonal variability of our advertisers' marketing budgets. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied upon as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

At December 31, 2011, we had federal net operating loss carryforwards of approximately \$68.6 million and tax credit carryforwards of approximately \$1.2 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income or income tax liability may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by certain "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. We may experience one or more ownership changes in the future as a result of future transactions in our stock. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards or other pre-change tax attributes to offset our federal taxable income or reduce our federal income tax liability may be subject to limitation.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business.

We are required to comply with various regulatory and reporting requirements, including those required by the Securities and Exchange Commission ("SEC"). Complying with these reporting and other regulatory requirements can be time-consuming and results in increased costs to us and could harm our business, results of operations and financial condition.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These requirements could strain our systems and resources. The Exchange

Act also requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Exchange Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have committed significant resources, hired additional staff and provided additional management oversight. We have implemented additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth will require us to commit additional management, operational and financial resources to identify new professionals to join us and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns and could make it difficult to manage our business, which could harm our business, results of operations, financial condition and cash flows. In addition, if we find any material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the market price of our Class A common stock to decline.

Risks Related to Ownership of Our Class A Common Stock

Our stock price may be volatile, and the value of an investment in our common stock may decline.

An active, liquid and orderly market for our Class A common stock may not be sustained, which could depress the trading price of our Class A common stock. The trading price of our Class A common stock has at times experienced substantial price volatility and may continue to be volatile. For example, in 2011, the closing price of our Class A common stock ranged from \$21.63 per share to \$37.48 per share. The market price of our Class A common stock could be subject to wide fluctuations in response to many of the risk factors discussed in this Annual Report on Form 10-K and others beyond our control, including:

- · actual or anticipated fluctuations in our financial condition and results of operations;
- · changes in projected operational and financial results;
- addition or loss of significant customers;
- actual or anticipated changes in our growth rate relative to that of our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- announcements of technological innovations or new offerings by us or our competitors;
- additions or departures of key personnel;
- changes in laws or regulations applicable to our services;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- issuance of new or updated research or reports by securities analysts;
- sales of our Class A common stock by us or our shareholders;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- · general economic and market conditions.

Furthermore, the stock markets in recent years have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of the equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. If the market price of our Class A common stock declines, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that

have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert management's attention from other business concerns, which could harm our business, results of operations or financial condition.

The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with our founders, and limits your ability to influence corporate matters.

Since Zillow's inception, our capital structure has had authorized Class A common stock and authorized Class B common stock. Our Class A common stock has one vote per share, and our Class B common stock has 10 votes per share. All shares of Class B common stock have been and are held by our founders, Richard Barton and Lloyd Frink. As of December 31, 2011, Mr. Barton's holdings and Mr. Frink's holdings represented approximately 46.3% and 37.4%, respectively, of the voting power of our outstanding capital stock.

Therefore, for the foreseeable future, Mr. Barton and Mr. Frink will have significant control over our management and affairs and will be able to control all matters requiring shareholder approval, including the election or removal (with or without cause) of directors and approval of any significant corporate transaction, such as a merger or other sale of us or our assets. This concentrated control could delay, defer or prevent a change of control, merger, consolidation, takeover or other business combination involving us that you, as a shareholder, may otherwise support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the market price of our Class A common stock.

Future sales of our Class A common stock in the public market could cause our stock price to decline.

Our Class A common stock began trading on The Nasdaq Global Market on July 20, 2011; however, to date there has been a limited number of shares trading in the public market. We cannot predict the effect, if any, that market sales of shares or the availability of shares for sale will have on the prevailing trading price of our common stock from time to time. There is currently no contractual restriction on our ability to issue additional shares or on our shareholders' ability to sell their shares. Our current shareholders hold a substantial percentage of our outstanding common stock and, as of January 15, 2012, are permitted to sell these shares in the public market without restriction. Sales of a substantial number of shares of our common stock could cause our stock price to fall.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about our company. If few or no securities or industry analysts cover our company, the market price of our Class A common stock could be negatively impacted. If securities or industry analysts cover us and if one or more of such analysts downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of the analysts covering us fail to publish reports on us regularly, demand for our Class A common stock could decline, which could cause our stock price and trading volume to decline.

If we issue additional shares of common stock to raise capital, it may have a dilutive effect on shareholders' investment.

If we raise additional capital through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution in their percentage ownership of us. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

Anti-takeover provisions in our charter documents and under Washington law could make an acquisition of us more difficult, limit attempts by shareholders to replace or remove our management and affect the market price of our Class A common stock.

Provisions in our articles of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated articles of incorporation or amended and restated bylaws include provisions, some of which will become effective only after the date, which we refer to as the threshold date, on which the Class B common stock controlled by our founders represents less than 7% of the aggregate number of shares of the outstanding Class A common stock and Class B common stock, that:

- set forth the dual class structure of our common stock, which concentrates voting control of matters submitted to a vote of our shareholders with the holders of our Class B common stock, which is held by our founders:
- authorize our board of directors to issue, without further action by our shareholders, up to 30,000,000 shares of undesignated preferred stock, subject, prior to the threshold date, to the approval rights of our holders of Class B common stock;
- establish that our board of directors will be divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that, after the threshold date, our directors may be removed only for cause;
- provide that, after the threshold date, vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office or by the sole remaining director;
- provide that only our board of directors may change the size of our board of directors;
- specify that special meetings of our shareholders can be called only by the chair of our board of directors, our board of directors, our chief executive officer, our president or, prior to the threshold date, holders of at least 25% of the combined voting power of our outstanding Class A common stock and Class B common stock;
- establish an advance notice procedure for shareholder proposals to be brought before a meeting of shareholders, including proposed nominations of persons for election to our board of directors;
- require the approval of our board of directors or the holders of two-thirds of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single group, to amend or repeal our bylaws; and
- require the approval of two-thirds of the outstanding voting power of our Class A common stock and Class B common stock, voting together as a single group, to amend certain provisions of our articles of incorporation.

Prior to the threshold date, our directors can be removed with or without cause by holders of our Class A common stock and Class B common stock, voting together as a single group, and vacancies on the board of directors may be filled by such shareholders, voting together as a single group. Given the dual class structure of our common stock, our founders, Richard Barton and Lloyd Frink, who hold our Class B common stock, will have the ability for the foreseeable future to control these shareholder actions. See the risk factor above titled "The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with our founders and limits your ability to influence corporate matters."

The provisions described above, after the threshold date, may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing our management. In addition,

because we are incorporated in the State of Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act, which prohibits certain business combinations between us and certain significant shareholders unless specified conditions are met. These provisions may also have the effect of delaying or preventing a change of control of our company, even if this change of control would benefit our shareholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

In March 2011, we entered into a lease effective through November 2022 for approximately 66,000 square feet of office space that has housed our principal offices since August 2011. This new office space replaced our approximately 46,000 square feet of office space in Seattle under a lease that expires in February 2013. We lease additional office space in San Francisco, California, Irvine, California, Chicago, Illinois and New York, New York.

Item 3. Legal Proceedings

In March 2010, Smarter Agent, LLC ("Smarter Agent"), a provider of mobile real estate applications, filed a complaint against us and multiple other defendants for patent infringement in the U.S. District Court for the District of Delaware. The complaint alleges, among other things, that our mobile technology infringes three patents held by Smarter Agent purporting to cover: a "Global positioning-based real estate database access device and method," a "Position-based information access device and method of searching," and seeks an injunctive order against the alleged infringing activities and an award for damages. We have denied the allegations and asserted counterclaims seeking declarations that we are not infringing the patents and that the patents are invalid. In November 2010, the U.S. Patent and Trademark Office granted our petition for re-examination of the three patents-in-suit and its first office action found all claims invalid. In March 2011, the court stayed the litigation pending the completion of the re-examination proceedings. In addition, in October 2011, Smarter Agent filed a substantially similar complaint against Diverse Solutions, Inc. ("Diverse Solutions"), and other defendants, for patent infringement in the U.S. District Court for the District of Delaware. On October 31, 2011, we acquired substantially all of the operating assets and certain liabilities of Diverse Solutions, including the Smarter Agent complaint.

In April 2010, First American CoreLogic ("CoreLogic"), a provider of information and analytic services, filed a complaint against us and multiple other defendants for patent infringement in the U.S. District Court for the Eastern District of Texas. The complaint alleged, among other things, that our website technology infringes a patent purporting to cover a "Real estate appraisal using predictive modeling," and sought an injunctive order against the alleged infringing activities and an award for damages. We denied the allegations and asserted counterclaims seeking declarations that we are not infringing the patent, and that the patent is unenforceable and invalid. In December 2011, CoreLogic and Zillow entered into a settlement agreement under which each of the parties granted the other a full release from, and covenanted not to sue the other party based on, any claim relating to this litigation or conduct in the settlement negotiations prior to the effective date of the agreement. CoreLogic further covenanted not to sue us based on any claim relating to assertions of infringement of the CoreLogic patent at issue in the litigation. The parties also entered into a master license agreement with a contractual term of five years under which we license data content from CoreLogic that will be displayed on our website, including property data from various U.S. counties.

In September 2010, LendingTree, LLC, a provider of an online lending marketplace, filed a complaint against us, and other defendants, for patent infringement in the U.S. District Court for the Western District of North Carolina. The complaint alleges, among other things, that our website technology infringes two patents

purporting to cover a "Method and computer network for coordinating a loan over the internet," and seeks an injunctive order against the alleged infringing activities and an award for damages. We have denied the allegations and asserted counterclaims seeking declarations that we are not infringing the patents and that the patents are unenforceable and invalid.

Although the results of litigation cannot be predicted with certainty, we currently believe we have substantial and meritorious defenses to the outstanding claims and that the final outcome of the outstanding litigation matters will not have a material effect on our business, financial position, results of operations or cash flow.

From time to time, we are involved in litigation and claims that arise in the ordinary course of business and although we cannot be certain of the outcome of any such litigation or claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

Since our initial public offering on July 20, 2011, our Class A common stock has traded on The Nasdaq Global Market under the symbol "Z". Prior to that time, there was no public trading market for our Class A common stock. The initial public offering price of our common stock was \$20.00 per share.

The following table sets forth, for each full quarterly period indicated, the high and low sales prices for our Class A common stock as quoted on The Nasdaq Global Market:

Year Ending December 31, 2011:	High	Low
Third Quarter 2011 (beginning on July 20, 2011)	\$60.00	\$23.43
Fourth Quarter 2011	33.48	21.22

From July 20, 2011 through December 31, 2011, the closing price of our Class A common stock ranged from \$21.63 per share to \$37.48 per share.

As of February 24, 2012, there were 150 holders and two holders of record of our Class A common stock and our Class B common stock, respectively.

Dividends

We have never declared or paid a cash dividend on our capital stock and we intend to retain all available funds and any future earnings to fund the development and growth of our business. We therefore do not anticipate paying any cash dividends on our Class A common stock or Class B common stock in the foreseeable future. Any future determinations to pay dividends on our Class A common stock or Class B common stock would depend on our results of operations, our financial condition and liquidity requirements, restrictions that may be imposed by applicable law or our contracts, and any other factors that our board of directors may consider relevant. Pursuant to the current terms of our loan and security agreement with a financial institution, we cannot pay dividends unless specified financial covenants are satisfied.

Recent Sales of Unregistered Securities and Use of Proceeds from Registered Securities

Recent Sales of Unregistered Securities

During the year ended December 31, 2011, we made sales of the following unregistered securities which were not previously disclosed in our quarterly reports on Form 10-Q or current reports on Form 8-K that were filed with the Securities and Exchange Commission:

- (a) In the first quarter of 2011, we granted stock options to purchase an aggregate of 1,093,272 shares of our Class A common stock at an exercise price \$3.89 per share to officers, employees, directors and consultants under our Amended and Restated 2005 Equity Incentive Plan. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 promulgated under the Securities Act or Section 4(2) of the Securities Act. The shares subject to these stock options were subsequently registered on a registration statement on Form S-8 (File No. 333-176095) under the Securities Act of 1933, as amended (the "Securities Act"), filed with the Securities and Exchange Commission on August 5, 2011 prior to the issuance of any shares under such stock options.
- (b) On March 3, 2011, we issued 207,100 shares of our Class A common stock to an accredited investor in connection with our acquisition of the operating assets of Postlets LLC.

(c) On October 31, 2011, we issued 75,000 restricted shares of our Class A common stock to an accredited investor in connection with our acquisition of the operating assets of Diverse Solutions, Inc. One-third of the restricted shares will vest and no longer be subject to forfeiture on the first anniversary of the vesting commencement date, which is October 31, 2011, subject to Justin LaJoie's, the controlling shareholder of Diverse Solutions, Inc., continued employment or service to Zillow until such date. The remaining shares will vest ratably over the twenty-four months following such first anniversary, subject to Justin LaJoie's continued employment or service to Zillow. In the event of Justin LaJoie's termination of service by Zillow without cause or by Justin LaJoie for good reason, any unvested shares on the date of such termination will become vested and no longer subject to forfeiture.

These transactions were exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of shares of Class A common stock in these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about Zillow.

Use of Proceeds

Concurrent with the closing of our initial public offering of our Class A common stock ("IPO"), on July 25, 2011, we completed a private placement offering to funds affiliated with Technology Crossover Ventures and PAR Investment Partners, L.P., for 274,999 shares of our Class A common stock at a price of \$20.00 per share.

On July 25, 2011, in connection with our IPO, we sold and issued 3,981,300 shares of our Class A common stock, including 519,300 shares of Class A common stock pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$20.00 per share. The aggregate gross proceeds for all shares sold by us in the IPO were \$79,626,000. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-173570), which was declared effective by the SEC on July 19, 2011, and a prospectus filed pursuant to Rule 424(b) of the Securities Act.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

P	urchases	of	Eq	uity	Securities	bv	the	Issue

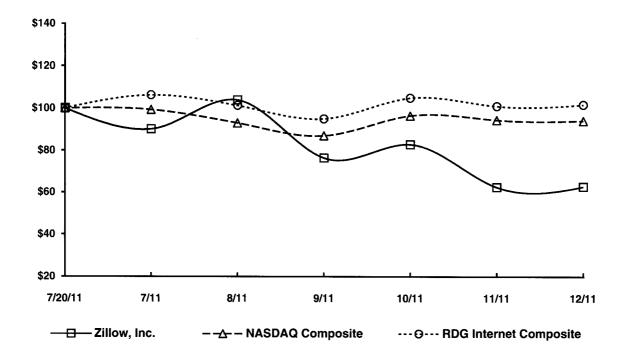
None.

Performance Graph

The following graph compares our cumulative total shareholder return on our Class A common stock with the NASDAQ Composite Index and the RDG Internet Composite Index. This graph covers the period from July 20, 2011, using the closing price for the first day of trading immediately following the effectiveness of our initial public offering per SEC regulations (rather than the IPO offering price of \$20.00 per share), through December 31, 2011. This graph assumes that the value of the investment in our Class A common stock and each index (including reinvestment of dividends) was \$100 on July 20, 2011. The information contained in the graph is based on historical data and is not intended to forecast possible future performance.

COMPARISON OF 5 MONTH CUMULATIVE TOTAL RETURN*

Among Zillow, Inc., the NASDAQ Composite Index, and the RDG Internet Composite Index



^{*\$100} invested on 7/20/11 in stock or 6/30/11 in index, including reinvestment of dividends. Fiscal year ending December 31.

Item 6. Selected Financial Data

The selected financial data set forth below should be read in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this annual report. Our historical results are not necessarily indicative of our results to be expected in any future period.

	Year Ended December 31,					
	2011	2010	2009	2008	2007	
		(in thousan	ds, except per	r share data)		
Statement of Operations Data: Revenue	\$66,053	\$30,467	\$ 17,491	\$ 10,593	\$ 7,106	
Cost of revenue (exclusive of amortization) (1)(2)	10,575	4,973	4,042	4,198	3,710	
Sales and marketing (1)	25,725	14,996	9,654	7,481	6,118	
Technology and development (1)	14,143	10,651	11,260	15,048	12,885	
General and administrative (1)(3)	14,613	6,684	5,501	5,770	6,179	
Total costs and expenses	65,056	37,304	30,457	32,497	28,892	
Income (loss) from operations	997	(6,837)	(12,966)	(21,904)	(21,786)	
Other income	105	63	111	687	1,496	
Net income (loss)	\$ 1,102	\$(6,774)	\$(12,855)	\$(21,217)	\$(20,290)	
Net income (loss) attributable to common						
shareholders	\$ —			\$(21,217)	\$(20,290)	
shareholders—basic and diluted		\$ (0.53)	• ,			
Weighted average shares outstanding—basic	19,815	12,770	12,613	12,593	12,553	
Weighted average shares outstanding—diluted	22,305	12,770	12,613	12,593	12,553	
(1) Includes share-based compensation as follows: Cost of revenue	388	\$ 210 445	\$ 183 408	\$ 157 408	\$ 154 247	
Technology and development	546 822	389 671	394 666	412 544	306 473	
Total	\$ 1,945	<u>\$ 1,715</u>	\$ 1,651	\$ 1,521	\$ 1,180	
(2) Amortization of website development costs and intangible assets included in technology and development is as follows:	\$ 5,384	\$ 4,184	\$ 4,797	\$ 5,465	\$ 4,354	
(3) General and administrative includes a facility exit		•				
charge as follows:	\$ 1,737	\$ —	\$ —	\$ —	\$ —	
		At December 31,				
	2011	2010	2009	2008	2007	
Polomos Chast Datas			(in thousand	ds)		
Balance Sheet Data: Cash and cash equivalents and short-term and long-term						
investments	\$ 92,13	86 \$13,77	7 \$16,09	1 \$24,270	\$41,728	
Property and equipment, net	7,22					
Working capital	71,71					
Total assets	116,66	58 24,01	3 24,608	34,482	54,406	
Convertible preferred stock		_		4 4		
Total shareholders' equity	101,2	13 17,44	8 21,120	5 31,840	51,044	

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements and the related notes included elsewhere in this annual report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this annual report, particularly in "Risk Factors".

Overview

We are the leading real estate information marketplace. In addition to Zillow.com, we also operate Zillow Mobile, our suite of mobile real estate applications, and Zillow Mortgage Marketplace, where borrowers connect with lenders to find loans and get the competitive mortgage rates.

Zillow provides information about homes, real estate listings and mortgages through our websites and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs.

Our living database of more than 100 million U.S. homes—homes for sale, homes for rent and homes not currently on the market—attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 27 million homes and added more than 65 million home photos, creating exclusive home profiles available nowhere else. These profiles include detailed information about homes, including property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it, through our websites and through our industry-leading mobile applications that enable consumers to access our information when they are curbside, viewing homes. Using industry-leading automated valuation models, we provide current home value estimates, or Zestimates, and current rental price estimates, or Rent Zestimates, on approximately 100 million U.S. homes.

The following is a listing of significant milestones for the year ended December 31, 2011:

- In February 2011, we launched a strategic relationship with Yahoo! Real Estate through which we provide real estate listings to Yahoo! Real Estate and have exclusive rights to sell real estate agent advertising and certain graphical advertisements for display throughout the Yahoo! Real Estate site.
- In March 2011, we acquired the operating assets of Postlets LLC, a listings distribution and marketing service for real estate agents.
- In March 2011, we launched Rent Zestimates, which provide estimated rent prices for approximately 100 million homes and apartments across the country.
- In March 2011, we launched the Zillow Blackberry App for Research in Motion®'s BlackBerry smartphones.
- In April 2011, we launched a strategic advertising relationship with Century 21 Real Estate. These listings also appear on the Yahoo!/Zillow Real Estate Network.
- In June 2011, we expanded and improved our living database of homes, adding more than 25 million new Zestimate home valuations and improving Zestimate accuracy nationwide.
- In July 2011, we closed our initial public offering and began trading on The NASDAQ Global Market under the symbol "Z".
- In September 2011, we announced our partnership with Curbed ® (curbed.com), whereby Curbed.com visitors can search for local listings nationwide.
- In October 2011, we launched a strategic relationship with AOL Real Estate which brings the Zillow Mortgage Marketplace shopping experience to the AOL Real Estate and DailyFinance websites.

- In October 2011, we acquired substantially all of the operating assets of Diverse Solutions, Inc., a company that helps real estate agents market their businesses and improve their personal websites.
- In October 2011, we expanded the Zillow iPhone® App by adding the experience of Zillow Mortgage Marketplace.
- In November 2011, we launched a free real estate application for the Android™ Tablet.

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue includes marketplace revenue, consisting of subscriptions sold to real estate agents and advertising sold on a cost per click, or CPC, basis to mortgage lenders, and display revenue consisting of advertising placements sold primarily on a cost per thousand impressions, or CPM, basis.

We have experienced significant revenue growth over the past three years. In 2009, 2010 and 2011 we focused on growing our marketplace revenue, which accounted for the majority of our revenue growth over that period. The increase in marketplace revenue resulted from growth in our Premier Agent program and the commencement of charging mortgage lenders for participation in Zillow Mortgage Marketplace. Our Premier Agent program established a significant source of more predictable subscription-based revenue that complements our display revenue, and created a more diversified revenue mix.

For the years ended December 31, 2011, 2010 and 2009, we generated revenue of \$66.1 million, \$30.5 million and \$17.5 million, respectively, representing year-over-year growth of 117%, 74% and 65%, respectively. We believe achieving these levels of revenue growth were primarily the result of significant growth in the following areas:

- Traffic to our owned and operated websites and mobile applications—indicated by the average number of monthly unique users for the three months ended December 31, 2011, 2010 and 2009 of 23.5 million, 12.7 million and 7.6 million, respectively, representing year-over-year growth of 86%, 66% and 38%, respectively;
- Marketplace revenue—due to the launch of our Premier Agent program in 2008 and the commencement of charging mortgage lenders for participation in Zillow Mortgage Marketplace in January 2010; and
- Display revenue—resulting from our traffic growth and the improved productivity of our sales force.

Key Growth Drivers

To analyze our business performance, determine financial forecasts and help develop long-term strategic plans, we frequently review the following key growth drivers:

Unique Users

Measuring unique users is important to us because our marketplace revenue depends in part on our ability to enable our users to connect with real estate and mortgage professionals, and our display revenue depends in part on the number of impressions delivered. Furthermore, our community of users improves the quality of our living database of homes with their contributions. We count a unique user the first time an individual accesses one of our websites using a web browser during a calendar month, and the first time an individual accesses our mobile applications using a mobile device during a calendar month. If an individual accesses our websites using different web browsers within a given month, the first access by each such web browser is counted as a separate unique user. If an individual accesses more than one of our websites in a single month, the first access to each website is counted as a separate unique user since unique users are tracked separately for each domain. If an individual accesses our mobile applications using different mobile devices within a given month, the first

instance of access by each such mobile device is counted as a separate unique user. Beginning in October 2011, we measure unique users with Google Analytics. Prior to October 2011, we measured monthly unique user metrics with Omniture analytical tools. We believe Google Analytics and Omniture result in materially consistent measurements of our monthly unique users.

	Users for	e Monthly the Three d Decembe	Months	2011 to 2010	2010 to 2009
	2011	2010	2009	% Change	% Change
	(ir	thousands			
Unique Users	23,507	12,666	7,611	86%	66%

Premier Agent Subscribers

The number of Premier Agent Subscribers is an important driver of revenue growth as each subscribing agent pays a monthly fee to participate in the program. We define a Premier Agent subscriber as an agent with a paid subscription at the end of a period.

	At December 31,			2011 to 2010	2010 to 2009
	2011	2010	2009	% Change	
Premier Agent Subscribers	15,799	8,102	2,764	95%	193%

Basis of Presentation

Revenue

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue includes marketplace revenue and display revenue.

Marketplace Revenue. Marketplace revenue consists of subscriptions sold to real estate agents under our Premier Agent program and CPC advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders.

Our Premier Agent program allows local real estate agents to establish a persistent online and mobile presence on Zillow in the zip codes they serve. We present contact information for each Premier Agent alongside home profiles and home listings within the agent's zip code, assisting consumers in evaluating and selecting the real estate agent best suited for them. Pricing for our Premier Agent subscriptions varies by zip code and the tier level of participation, Platinum Premier, Silver Premier and Basic Premier. Subscription advertising revenue is recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts are six months. Growth in our subscription advertising product is based on our ability to continue to attract agent subscribers and drive consumer traffic to those agents on our websites and through our mobile applications.

In Zillow Mortgage Marketplace, participating qualified mortgage lenders make a prepayment to gain access to consumers interested in connecting with mortgage professionals. Consumers who request rates for mortgage loans in Zillow Mortgage Marketplace are presented with personalized lender quotes from participating lenders. We only charge mortgage lenders a fee when users click on their links for more information regarding a mortgage loan quote. Mortgage lenders who exhaust their initial prepayment can then prepay additional funds to continue to participate in the marketplace.

Display Revenue. Display revenue primarily consists of graphical web and mobile advertising sold on a CPM basis to advertisers primarily in the real estate industry, including real estate brokerages, home builders, mortgage lenders and home services providers. Our advertising customers also include telecommunications,

automotive, insurance and consumer products companies. We recognize display revenue as impressions are delivered to users interacting with our websites or mobile applications. Growth in display revenue depends on continuing growth in traffic to our websites and mobile applications and migration of advertising spend online from traditional broadcast and print media.

Costs and Expenses

Cost of Revenue. Our cost of revenue consists of expenses related to operating our websites and mobile applications, including associated headcount expenses, such as salaries and benefits and share-based compensation expense and bonuses. Cost of revenue also includes credit card fees, ad serving costs paid to third parties, revenue-sharing costs related to our commercial business relationships and facilities costs allocated on a headcount basis.

Sales and Marketing. Sales and marketing expenses consist of headcount expenses, including salaries, commissions, benefits, share-based compensation expense and bonuses for sales, sales support, customer support, marketing and public relations employees. Sales and marketing expenses also include other sales expenses related to promotional and marketing activities and facilities costs allocated on a headcount basis.

Technology and Development. Technology and development expenses consist of headcount expenses, including salaries and benefits, share-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development and testing of our websites, equipment and maintenance costs and facilities costs allocated on a headcount basis. Technology and development expenses also include amortization costs related to capitalized website and development activities, amortization of certain intangibles and other data agreement costs related to the purchase of data used to populate our websites and amortization of intangible assets recorded in connection with acquisitions.

General and Administrative. General and administrative expenses consist of headcount expenses, including salaries, benefits, share-based compensation expense and bonuses for executive, finance, accounting, legal, human resources, recruiting and administrative support. General and administrative expenses also include legal, accounting and other third-party professional service fees, bad debt expense and facilities costs allocated on a headcount basis.

Other Income

Other income consists of interest income earned on our cash and cash equivalents and investments.

Income Taxes

We are subject to U.S. federal income taxes. As of December 31, 2011 and 2010, we did not have taxable income and therefore no tax liability or expense has been recorded in the financial statements. We have provided a full valuation allowance against our net deferred tax assets as of December 31, 2011 and 2010 because there is significant uncertainty around our ability to realize the deferred tax assets in the future. We have accumulated tax losses of approximately \$68.6 million as of December 31, 2011, which are available to reduce current future taxable income.

Results of Operations

The following tables present our results of operations for the periods indicated and as a percentage of total revenue:

revenue:	Year l	Ended Decem	ber 31,
	2011	2010	2009
	(in thousan	ds, except per	share data)
Statements of Operations Data:			
Revenue	\$66,053	\$30,467	\$ 17,491
Costs and expenses: Cost of revenue (exclusive of amortization) (1)(2)	10.575	4.072	4.042
Sales and marketing (1)	10,575 25,725	4,973 14,996	4,042 9,654
Technology and development (1)	14,143	10,651	11,260
General and administrative (1)(3)	14,613	6,684	5,501
Total costs and expenses	65,056	37,304	
•			30,457
Income (loss) from operations	997	(6,837)	(12,966)
Other income	105	63	111
Net income (loss)	\$ 1,102	\$(6,774)	\$(12,855)
Net income (loss) attributable to common shareholders	\$ —	\$(6,774)	\$(12,855)
diluted	\$ —	\$ (0.53)	\$ (1.02)
Weighted-average shares outstanding—basic	19,815	12,770	12,613
Weighted-average shares outstanding—diluted	22,305	12,770	12,613
Other Financial Data:			
Adjusted EBITDA (unaudited) (4)	\$11,869	\$ 140	\$ (4,908)
(1) Includes share-based compensation as follows:			
Cost of revenue	\$ 189	\$ 210	\$ 183
Sales and marketing	388	445	408
Technology and development	546	389	394
General and administrative	822	671	666
Total	\$ 1,945	<u>\$ 1,715</u>	\$ 1,651
(2) Amortization of website development costs and intangible assets included			
in technology and development is as follows:	\$ 5,384	\$ 4,184	\$ 4,797
(3) General and administrative includes a facility exit charge as follows:	\$ 1,737	\$ —	\$ —
(4) See "Adjusted EBITDA" below for more information and for a reconciliation	n of Adjus	ted EBITDA	A to net

(4) See "Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

	Year Ended December 31,			
	2011	2010	2009	
Percentage of Revenue:				
Revenue	100%	100%	100%	
Costs and expenses:				
Cost of revenue	16	16	23	
Sales and marketing	39	49	55	
Technology and development	21	35	64	
General and administrative	_22	_22	31	
Total costs and expenses	98	122	174	
Income (loss) from operations	2	(22)	(74)	
Other income	_0	_0	1	
Net income (loss)	2%	(22%)	<u>(73</u> %)	

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA within this annual report, a non-GAAP financial measure. Below, we have provided a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this annual report as it is a key metric used by our management and board of directors to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and
 amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital
 expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect certain facility exit charges; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to net income (loss) for each of the periods presented:

	Year Ended December 31,				
	2011	2010	2009		
		(in thousands)			
Reconciliation of Adjusted EBITDA to Net					
Income (Loss):					
Net income (loss)	\$ 1,102	\$(6,774)	\$(12,855)		
Other income	(105)	(63)	(111)		
Depreciation and amortization expense	7,190	5,262	6,407		
Share-based compensation expense	1,945	1,715	1,651		
Facility exit charge	1,737				
Adjusted EBITDA (unaudited)	\$11,869	\$ 140	<u>\$ (4,908)</u>		

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010 *Revenue*

	Year Ended	2011 to 2010 % Change	
	2011 2010		
	(in tho	usands)	
Marketplace revenue	\$42,190	\$13,228	219%
Display revenue	23,863	17,239	38%
Total	\$66,053	\$30,467	117%

	Year Ended December 31,			
	2011	2010		
Percentage of Revenue:				
Marketplace revenue	64%	43%		
Display revenue	36%	57%		
Total	100%	100%		

Overall revenue grew by \$35.6 million, or 117%, in 2011 compared to 2010. Marketplace revenue grew by 219%, and display revenue grew by 38%.

Marketplace revenue was \$42.2 million in 2011 compared to \$13.2 million in 2010, an increase of \$29.0 million. Marketplace revenue represented 64% of total revenue in 2011 compared to 43% of total revenue in 2010. The increase in marketplace revenue was primarily attributable to growth in the number of subscribers in our Premier Agent program to 15,799 as of December 31, 2011 from 8,102 as of December 31, 2010, an increase of 95%, as well as an increase in the average price for new Premier Agents and for existing Premier Agents who renewed their subscriptions for additional six-month terms. We believe the increase in subscribers and the increase in the average price in our Premier Agent program was driven by our increased development of our marketplace program with the support of our sales team and the overall growth in the number of unique users of our websites and mobile applications.

Display revenue was \$23.9 million in 2011 compared to \$17.2 million in 2010, an increase of \$6.6 million. Display revenue represented 36% of total revenue in 2011 compared to 57% of total revenue in 2010. The increase in display revenue was primarily the result of an increase in unique users to our websites and mobile applications which increased to 23.5 million average monthly unique users for the three months ended December 31, 2011 from 12.7 million average monthly unique users for the three months ended December 31, 2010, an increase of 86%. The growth in unique users increased the number of graphical display impressions available for sale and advertiser demand for graphical display inventory. This resulted in increased advertising spend by larger businesses and industry-endemic advertisers such as real estate brokers, builders and lending institutions.

Cost of Revenue

Cost of revenue was \$10.6 million in 2011 compared to \$5.0 million in 2010, an increase of \$5.6 million, or 113%. The increase in cost of revenue was primarily attributable to revenue sharing costs related to our strategic relationship with Yahoo! Real Estate, which launched in February 2011, as well as a \$0.8 million increase in credit card and ad serving fees and increases in other miscellaneous costs related to revenue growth, primarily in our marketplace revenue category. We expect our cost of revenue to increase in future years as we continue to incur more expenses that are associated with growth in revenue.

Sales and Marketing

Sales and marketing expenses were \$25.7 million in 2011 compared to \$15.0 million in 2010, an increase of \$10.7 million, or 72%. The increase was primarily a result of growth in headcount related expenses of \$5.4 million driven by increases in the size of our sales team to promote our marketplace business, as well as a \$4.3 million increase in marketing and advertising expenses, including tradeshows and related travel costs. The remaining increase of \$1.0 million was primarily the result of consulting costs and additional depreciation expense. We expect our sales and marketing expenses to increase in future years as we continue to invest more resources in growing our sales team and in marketing and advertising. Although these expenses may increase as a percentage of revenue in the near term, we expect these expenses will decrease as a percentage of revenue in the long term.

Technology and Development

Technology and development expenses, which include research and development costs, were \$14.1 million in 2011 compared to \$10.7 million in 2010, an increase of \$3.5 million, or 33%. Approximately \$1.5 million of the increase was related to growth in headcount related expenses, and approximately \$1.2 million of the increase was the result of amortization of intangible assets, including website development costs, purchased content and acquired intangible assets. The remaining increase of \$0.8 million was primarily the result of consulting costs and additional depreciation expense. Amortization expense included in technology and development for capitalized website development costs was \$4.1 million and \$3.6 million, respectively, for the years ended December 31, 2011 and 2010. Amortization expense included in technology and development for purchased data content intangible assets was \$0.9 million and \$0.6 million, respectively, for the years ended December 31, 2011 and 2010. Other data agreement expense was \$0.8 million and \$0.7 million, respectively, for the years ended December 31, 2011 and 2010. Amortization expense included in technology and development related to intangible assets recorded in connection with acquisitions was \$0.4 million for the year ended December 31, 2011. There was no amortization expense related to intangible assets recorded in connection with acquisitions for the year ended December 31, 2010. While we expect our technology and development expenses to increase over time as we continue to build new website and mobile functionality, we expect these expenses will decrease as a percentage of revenue.

General and Administrative

General and administrative expenses were \$14.6 million in 2011 compared to \$6.7 million in 2010, an increase of \$7.9 million, or 119%. Approximately \$1.7 million of the increase was the result of a facility exit charge we recorded in the third quarter of 2011. In August 2011, we relocated our headquarters in Seattle, Washington to accommodate growth in our business. The fluctuation in general and administrative expenses was also a result of an increase of \$1.8 million in professional services and consulting fees, which primarily arose from becoming a public company, an increase of \$1.7 million in headcount-related costs, including share-based compensation, driven by growth in headcount, an increase of \$1.3 million in rent and utilities expense primarily related to rent and utilities expense recorded for our new corporate headquarters in Seattle, Washington, a \$0.7 million increase related to the settlement of legal matters, a \$0.4 million increase in bad debt expense, a \$0.2 million increase in travel costs, and a \$0.8 million increase in various other miscellaneous expenses. The increases were partially offset by a \$0.7 million decrease in local, business and occupational and gross receipts taxes, approximately \$0.3 million of which was the result of a tax credit we received relating to a refund of certain state and local taxes from 2006 to 2009. We expect general and administrative expenses to decline as a percentage of revenue in the near term and going forward.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 *Revenue*

	Year Ended	2010 to 2009 % Change	
	2010 2009		
	(in tho	usands)	
Marketplace revenue	\$13,228	\$ 3,912	238%
Display revenue	17,239	13,579	27%
Total	\$30,467	\$17,491	74%

	Tear Ended December 5.		
	2010	2009	
Percentage of Revenue:			
Marketplace revenue	43%	22%	
Display revenue	_57%	_78%	
Total	100%	100%	

Voor Ended December 21

Overall revenue grew by \$13.0 million, or 74%, in 2010 compared to 2009. Marketplace revenue grew by 238% and display revenue grew by 27%.

Marketplace revenue was \$13.2 million in 2010 compared to \$3.9 million in 2009, an increase of \$9.3 million. Marketplace revenue represented 43% of total revenue in 2010 compared to 22% of total revenue in 2009. The increase in marketplace revenue was primarily attributable to growth in the number of subscribers in our Premier Agent program to 8,102 as of December 31, 2010 from 2,764 as of December 31, 2009, representing an increase of 193%. We believe the increase in subscribers in our Premier Agent program was driven by our increased development of our marketplace program with the support of the sales team, and the overall growth in the number of unique users of our websites and mobile applications. Marketplace revenue also increased as we began to charge mortgage lenders for participation in Zillow Mortgage Marketplace in January 2010.

Display revenue was \$17.2 million in 2010 compared to \$13.6 million in 2009, an increase of \$3.7 million. Display revenue represented 57% of total revenue in 2010 compared to 78% of total revenue in 2009. We believe this growth was primarily the result of increased unique users to 12.7 million average monthly unique users for the three months ended December 31, 2010 from 7.6 million average monthly unique users for the three months ended December 31, 2009, representing an increase of 66%. The growth in unique users increased the number of graphical display impressions available for sale and advertiser demand for graphical display inventory.

Cost of Revenue

Cost of revenue was \$5.0 million in 2010 compared to \$4.0 million in 2009, an increase of \$0.9 million, or 23%. The increase was the result of \$0.5 million greater ad serving costs, credit card fees and other costs and an increase of \$0.3 million in headcount expenses for employees supporting the operation of our websites.

Sales and Marketing

Sales and marketing expenses were \$15.0 million in 2010 compared to \$9.7 million in 2009, an increase of \$5.3 million, or 55%. The increase is primarily related to growth in headcount expenses and related commissions of \$5.1 million, primarily for our sales team to promote sales of our Premier Agent program, as well as tradeshows, conferences and related travel expenses.

Technology and Development

Technology and development expenses, which include research and development costs, were \$10.7 million in 2010 compared to \$11.3 million in 2009, a decrease of \$0.6 million, or 5%. The decrease was the result of a reduction of \$1.2 million in depreciation and amortization expense as historical purchases of computer equipment reached the end of their depreciable lives and significant components of capitalized website development costs being fully amortized, offset by a \$0.6 million increase in headcount expenses and consulting expenses. Amortization expense included in technology and development for capitalized website development costs was \$3.6 million and \$4.2 million for the years ended December 31, 2010 and 2009, respectively. Amortization expense included in technology and development for purchased data content intangible assets was \$0.6 million and \$0.6 million for the years ended December 31, 2010 and 2009, respectively. Other data agreement expense was \$0.7 million and \$0.7 million for the years ended December 31, 2010 and 2009, respectively.

General and Administrative

General and administrative expenses were \$6.7 million in 2010 compared to \$5.5 million in 2009, an increase of \$1.2 million, or 22%. The increase was primarily driven by an increase in headcount expenses of approximately \$1.0 million. Legal expenses also increased by \$0.4 million in 2010 compared to 2009 due to an increase in litigation activity relating to lawsuits filed against us in 2010.

Quarterly Results of Operations

The following table sets forth our unaudited quarterly statements of operations data for each of the eight quarters presented below. In the opinion of management, the data has been prepared on the same basis as the audited financial statements included in this annual report, and reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. The results of historical periods are not necessarily indicative of the results of operations of any future period. You should read this data together with our financial statements and the related notes included elsewhere in this annual report.

	Three Months Ended							
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
		(iı	1 thousand	ds, except pe	er share data, u	naudited)		
Statement of Operations Data:	410.001							
Revenue	\$19,891	\$19,057	\$15,845	\$11,260	\$ 9,573	\$ 8,229	\$ 7,334	\$ 5,331
amortization) (1) (2)	2.961	3,084	2,713	1,817	1.326	1.263	1,222	1.162
Sales and marketing (1)	7,576	7,035	5,630	5,484	4,071	4,060	3,748	3,117
Technology and development (1)	3,994	3,849	3,304	2,996	2,711	2,528	*	
General and administrative (1) (3)	4,463	5,695	2,627	1,828	1,958	1,902	2,878 1,483	2,534 1,341
Total costs and expenses	18,994	19,663	14,274	12,125	10,066	9,753	9,331	8,154
Income (loss) from operations	897	(606)	1,571	(865)	(493)	(1,524)	(1,997)	(2,823)
Other income	25	36	5	39		14	25	17
Net income (loss)	\$ 922	\$ (570)	\$ 1,576	\$ (826)	\$ (486)	\$(1,510)	\$(1,972)	\$(2,806)
Net income (loss) attributable to common						-	***************************************	
shareholders	\$ 922	\$ (570)	\$ —	\$ (826)	\$ (486)	\$(1,510)	\$(1,972)	\$(2,806)
Net income (loss) per share attributable to common								
shareholders—basic and diluted	\$ 0.03	\$ (0.02)	\$ —	\$ (0.06)	\$ (0.04)	\$ (0.12)	\$ (0.16)	\$ (0.22)
Weighted average shares outstanding—basic	27,748	24,020	13,940	13,347	12,972	12,803	12,660	12,640
Weighted average shares outstanding—diluted Other Financial Data:	30,592	24,020	24,106	13,347	12,972	12,803	12,660	12,640
Adjusted EBITDA (4)	\$ 3,312	\$ 3,654	\$ 3,852	\$ 1,051	\$ 1,279	\$ 246	\$ (202)	\$(1,183)
				Three Mor	nths Ended			
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
			(in thousand	s, unaudited)			
(1) Includes share-based compensation as follows:								
Cost of revenue	\$ 54	\$ 48	\$ 46	\$ 41	\$ 42	\$ 61	\$ 53	\$ 54
Sales and marketing	129	85	67	107	113	117	111	104
Technology and development	235	135	90	86	86	102	106	95
General and administrative	236	220	210	156	165	188	159	159
Total	\$ 654	\$ 488	\$ 413	\$ 390	\$ 406	\$ 468	\$ 429	\$412
(2) Amortization of website development costs and intangible assets included in technology and								
development is as follows	\$1,466	\$1,461	\$1,234	\$1,223	\$1,076	\$1,030	\$1,107	\$970
exit charge as follows	\$ —	\$1,737	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

⁽⁴⁾ See "Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

The following tables present our revenue by type and as a percentage of total revenue for the periods presented:

	-			Three Mo	nths Ended				
	December 31 2011	, September 30 2011	June 30, 2011	March 31, 2011	, December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	
			(i	n thousand	ds, unaudited)				
Revenue:									
Marketplace revenue	\$13,746	\$11,840	\$ 9,723	\$ 6,881	\$5,114	\$3,628	\$2,632	\$1,854	
Display revenue	6,145	7,217	6,122	4,379	4,459	4,601	4,702	3,477	
Total	\$19,891	\$19,057	\$15,845	\$11,260	\$9,573	\$8,229	\$7,334	\$5,331	
	Three Months Ended								
	December 31 2011	, September 30 2011	June 30, 2011	March 31, 2011	, December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	
Percentage of Revenue:		_							
Marketplace revenue	69%	62%	61%	61%	53%	44%	36%	35%	
Display revenue	31	_38	39	39	47	_56	64	65	
Total	100%	100%	100%	100%	100%	100%	100%	100%	

Revenue increased sequentially in all quarters presented. The strong increase in consumer adoption of our websites and mobile applications in 2011 was reflected in the significant growth in unique users over the year. The composition of revenue continues to shift from display revenue to marketplace revenue, as we continue to dedicate more of our advertising placements on search, map and home detail pages for our marketplace products, which provide consumers with services that tend to be more relevant to home-related searches. Due to the shift in revenue categories, we have experienced less quarterly seasonality overall as compared to the same periods in 2010 and prior. However, we have currently and historically experienced greater revenue in the fourth quarter of the year as a result of increased traffic to our websites and mobile devices.

Adjusted EBITDA

The following table sets forth a reconciliation of Adjusted EBITDA to net income (loss) for each of the eight quarters presented below. See "Adjusted EBITDA" under "Results of Operations" above in this Item 7 for additional information about why we have included Adjusted EBITDA in this annual report and how we use Adjusted EBITDA.

	Three Months Ended								
	December 31, 2011	September 30 2011	, June 30, 1 2011	March 31, 2011	December 31, 5 2010	September 30 2010	, June 30, 1 2010	March 31, 2010	
			(in	thousands	s, unaudited)				
Reconciliation of Adjusted EBITDA to Net (Income) Loss:									
Net income (loss)	. \$ 922	\$ (570)	\$1,576	\$ (826)	\$ (486)	\$(1,510)	\$(1,972)	\$(2,806)	
Other income	(25)	(36)	(5)	(39)	(7)	(14)	(25)	(17)	
expense	1,761	2,035	1,868	1,526	1,366	1,302	1,366	1,228	
expense	654	488	413	390	406	468	429	412	
Facility exit charge	<u> </u>	1,737							
Adjusted EBITDA	\$3,312	\$3,654	\$3,852	\$1,051	\$1,279	\$ 246	\$ (202)	\$(1,183)	

Key Growth Drivers

The following tables set forth our key growth drivers for each of the eight quarters presented below. Refer to "Key Growth Drivers—Unique Users" above for information about how we measure unique users.

			Average	e for the T	hree Months E	nded		
	December 31, 2011	September 30 2011	, June 30, 2011	March 31 2011	, December 31, 2010	, September 30, 2010	June 30, 2010	March 31, 2010
				(in tho	usands)			
Unique Users	23,507	24,238	20,758	17,306	12,666	12,061	10,751	9,301
				Period	l Ended			
	December 31, 2011	September 30 2011	, June 30, 2011	March 31 2011	, December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Premier Agent Subscribers	15,799	14,876	13,385	10,710	8,102	6,448	4,777	3.438

Liquidity and Capital Resources

Prior to our initial public offering, we funded our operations primarily from the issuance of common and preferred stock, and for the year ended December 31, 2011, from cash generated from operations. Through 2007, we raised approximately \$81.0 million through various offerings of our convertible preferred stock and approximately \$5.9 million from the sale of our common stock.

On July 25, 2011, we sold and issued 3,981,300 shares of our Class A common stock, including 519,300 shares of Class A common stock pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$20.00 per share, and we sold and issued 274,999 shares of our Class A common stock at a price of \$20.00 per share in a private placement. As a result of the offerings, we received net proceeds of approximately \$76.3 million, after deducting underwriting discounts and commissions of approximately \$5.6 million and additional offering-related expenses of \$3.3 million, for total expenses of \$8.9 million. The net offering proceeds have been invested into money market funds, certificates of deposit and U.S. treasury securities.

As of December 31, 2011 and 2010, we had cash and cash equivalents and short-term and long-term investments of \$92.1 million and \$13.8 million, respectively. Cash and cash equivalents balances consist of operating cash on deposit with financial institutions and money market funds. Short-term and long-term investments as of December 31, 2011 and 2010 consisted of U.S. government agency securities. Amounts on deposit with third-party financial institutions exceed the applicable Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insurance limits, as applicable. We believe that cash from operations and cash and cash equivalents and short-term and long-term investment balances will be sufficient to meet our ongoing operating activities, working capital, capital expenditures and other capital requirements for at least the next 12 months.

During March 2011, we entered into a loan and security agreement with a financial institution to establish a line of credit of \$4.0 million, secured by substantially all our assets other than our intellectual property, to be used for general business purposes. The line of credit contains financial and non-financial covenants. As of December 31, 2011, we were in compliance with all covenants. The line of credit is available through March 2013. During March 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our new Seattle offices and reserved this amount against the line of credit, which reduces the available line to \$2.5 million. As of December 31, 2011, there were no other amounts outstanding under the line of credit.

The following table presents selected cash flow data for the years ended December 31, 2011 and 2010:

	Year E	nded Decem	ber 31,
	2011	2010	2009
	(in thousands	i)
Cash Flow Data:			
Cash flows provided by (used in) operating activities	\$ 14,826	\$2,258	\$ (4,217)
Cash flows provided by (used in) investing activities	(58,383)	4,631	(14,494)
Cash flows provided by financing activities	79.205	950	100

Cash Flows Provided By (Used In) Operating Activities

Cash flows provided by operating activities of \$14.8 million for the year ended December 31, 2011 was primarily driven by net income of \$1.1 million, adjusted by depreciation and amortization expense of \$7.2 million, the facility exit charge of \$1.7 million, share-based compensation expense of \$1.9 million and the change in deferred rent of approximately \$1.2 million. Changes in operating assets and liabilities increased cash provided by operating activities for the year ended December 31, 2011 by \$0.7 million.

For the year ended December 31, 2010, net cash provided by operating activities was \$2.3 million. This was driven primarily by an increase in the deferred revenue balance of \$2.5 million.

Cash Flows Provided By (Used In) Investing Activities

Our primary investing activities include the purchase and maturity of short-term and long-term investments and the purchase of property and equipment and intangible assets.

For the year ended December 31, 2011, net cash used in investing activities was \$58.4 million. This was the result of \$43.0 million of net purchases of investments, \$8.8 million of purchases for property and equipment and intangible assets, and a total of \$6.5 million paid in connection with the acquisitions of the operating assets of Diverse Solutions, Inc. and Postlets LLC.

For the year ended December 31, 2010, net cash provided by investing activities was \$4.6 million. This was the result of \$10.2 million of net proceeds from investments partially offset by \$5.5 million for the purchase of property and equipment and intangible assets.

Cash Flows Provided By Financing Activities

Our financing activities have primarily resulted from the exercise of employee non-qualified stock options, as well as proceeds from our initial public offering and our concurrent private placement for the year ended December 31, 2011.

For the year ended December 31, 2011, net cash provided by financing activities was approximately \$79.2 million, which was primarily the result of \$70.8 million in proceeds from our initial public offering, net of offering costs, approximately \$5.5 million in proceeds from our concurrent private placement, and \$2.9 million in proceeds from the issuance of Class A common stock from the exercise of stock options.

The proceeds from the issuance of Class A common stock from the exercise of stock options for the year ended December 31, 2010 was \$1.0 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2011.

Contractual Obligations

The following table provides a summary of our contractual obligations as of December 31, 2011:

		Payr	nent Due By	Period	
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousand	s)	
Operating lease obligations	\$21,798	\$1,800	\$3,965	\$3,663	\$12,370
Purchase obligations	8,768	2,207	3,776	2,785	
Total	\$30,566	\$4,007	\$7,741	\$6,448	\$12,370

We have various operating leases for office space and equipment. We have entered into an operating lease for our current headquarters in Seattle, Washington under which we will be obligated to make payments beginning in December 2012 through November 2022. Our prior headquarters in Seattle, Washington is under an operating lease expiring in February 2013. We also have purchase obligations for content related to our websites. We do not have any debt or capital lease obligations. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, the allowance for doubtful accounts, website and software development costs, goodwill, recoverability of intangible assets with definite lives and other long-lived assets and share-based compensation have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

Our revenue is primarily derived from advertising services. In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured. We consider a signed agreement, a binding insertion order or other similar documentation reflecting the terms and conditions under which products will be provided to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including payment history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

Our marketplace revenue consists of subscriptions sold to real estate agents under our Premier Agent program, and CPC advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders. Subscription advertising revenue is recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts are six months. For Zillow Mortgage Marketplace, we recognize revenue when a user clicks on a mortgage advertisement or on a link to obtain additional information about a mortgage loan quote.

Display revenue primarily consists of graphical advertising sold on a CPM basis to advertisers. We recognize display revenue as impressions are delivered to users interacting with our websites or mobile applications.

Allowance for Doubtful Accounts

We review accounts receivable on a regular basis and estimate an amount of losses for uncollectible accounts based on our historical collections experience, age of the receivable, knowledge of the customer and the condition of the general economy and industry as a whole.

Website and Software Development Costs

The costs incurred in the preliminary stages of website and software development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental and deemed by management to be significant, are capitalized in property and equipment and amortized on a straightline basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the websites (or software) that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful lives.

Capitalized development activities placed in service are amortized over the expected useful lives of those releases, currently estimated at one year. Estimated useful lives of website and software development activities are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition. We assess the impairment of goodwill on an annual basis, in our fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired.

We assess goodwill for possible impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the two-step goodwill impairment test. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in our statements of operations.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

We evaluate intangible assets and other long-lived assets for impairment whenever events or circumstances indicate they may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated. We group assets for purposes of such review at the lowest level for which identifiable cash flows of the asset group are largely independent of the cash flows of the other groups of assets and liabilities. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group.

Share-Based Compensation

We measure compensation expense for all share-based awards at fair value on the date of grant and recognize compensation expense over the service period for awards expected to vest. We use the Black-Scholes-Merton option-pricing model to determine the fair value for option awards and recognize compensation expense on a straight-line basis over the awards' vesting period. For restricted stock awards, we use the market value of the stock on the date of grant to determine the fair value and recognize compensation expense on a straight-line basis over the awards' vesting period.

Determining the fair value of option awards at the grant date requires judgment. If any of the assumptions used in the Black-Scholes-Merton model changes significantly, share-based compensation for future option awards may differ materially compared with the awards granted previously. In valuing our options, we make assumptions about risk-free interest rates, dividend yields, volatility, and weighted-average expected lives, including estimated forfeiture rates, of the options.

Risk-free rate. Risk-free interest rates are derived from U.S. Treasury securities as of the option grant date.

Expected dividend yields. Expected dividend yields are based on our historical dividend payments, which have been zero to date.

Volatility. We have estimated volatility of our share price based on the published historical volatilities of industry peers in the online publishing market (primarily the financial and real estate services industries) representing the verticals in which we operate.

Expected term. We estimate the weighted-average expected life of the options as the average of the vesting option schedule and the term of the award, since, due to the limited period of time share-based awards have been exercisable, we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The term of the award is estimated using the simplified method as the awards granted are plain vanilla share options.

Forfeiture rate. Forfeiture rates are estimated using historical actual forfeiture trends as well as our judgment of future forfeitures. These rates are evaluated at least quarterly and any change in compensation expense is recognized in the period of the change. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

Recent Accounting Pronouncements

In June 2011, the FASB issued guidance on the presentation of comprehensive income to increase the prominence of other comprehensive income in the financial statements. An entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2011, with earlier adoption permitted. The guidance must be applied retrospectively. We have not early adopted this guidance; however, the adoption of this guidance is not expected to have a material effect on our financial condition and results of operations.

In September 2011, the FASB issued guidance on testing goodwill for impairment to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for fiscal years beginning after December 15, 2011 with earlier application permitted. We early adopted this guidance for our annual goodwill impairment test performed in our fourth quarter of 2011. The adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

We do not have any long-term borrowings as of December 31, 2011 or 2010.

Under our current investment policy, we invest our excess cash in money market funds, FDIC-insured certificates of deposits and U.S. Treasury securities. Our current investment policy seeks first to preserve principal, second to provide liquidity for our operating and capital needs and third to maximize yield without putting our principal at risk.

Our investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on our investments or their fair value. As our investment portfolio is primarily short-term in nature, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our results of operations or cash flows to be materially affected by a sudden change in market interest rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Zillow, Inc.

We have audited the accompanying balance sheets of Zillow, Inc. as of December 31, 2011 and 2010, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zillow, Inc. at December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Seattle, Washington March 2, 2012

ZILLOW, INC. BALANCE SHEETS

(in thousands, except share data)

•	Decemi	oer 31,
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,926	\$ 12,278
Short-term investments	28,925	1,499
and 2010, respectively	5,638	3,984
Prepaid expenses and other current assets	3,214	410
Total current assets	85,703	18,171
Long-term investments	15,285	_
Property and equipment, net	7,227	4,929
Goodwill	3,676	
Intangible assets, net	4,532	888
Other assets	245	25
Total assets	<u>\$116,668</u>	\$ 24,013
Liabilities and shareholders' equity Current liabilities:		
Accounts payable	¢ 1 (01	¢ 750
Accrued expenses and other current liabilities	\$ 1,681 4,893	\$ 750 576
Accrued compensation and benefits	1,587	576 1,349
Deferred revenue	5,769	3,284
Deferred rent, current portion	60	271
Total current liabilities	13,990	6,230
Deferred rent, net of current portion	1,347	335
Other non-current liabilities	118	
Commitments and contingencies (Note 13)	110	
Shareholders' equity:		
Convertible preferred stock, \$0.0001 par value; no shares and 70,000,000 shares authorized as of December 31, 2011 and 2010, respectively; no shares and 31,353,797 shares issued and outstanding		
as of December 31, 2011 and 2010, respectively		4
Preferred stock, \$0.0001 par value; 30,000,000 and no shares authorized as of December 31, 2011 and		
2010, respectively; no shares issued and outstanding as of December 31, 2011 and 2010		_
Class A common stock, \$0.0001 par value; 600,000,000 and 200,000,000 shares authorized as of		
December 31, 2011 and 2010, respectively; 18,580,292 and 1,290,602 shares issued and outstanding	_	
as of December 31, 2011 and 2010, respectively	2	_
Class B common stock, \$0.0001 par value; 15,000,000 and 35,000,000 shares authorized as of		
December 31, 2011 and 2010, respectively; 9,528,313 shares issued and outstanding as of December 31, 2011 and 2010	1	1
Class C nonvoting common stock, \$0.0001 par value; no shares and 50,000,000 shares authorized as of	1	1
December 31, 2011 and 2010, respectively; no shares and 2,305,980 shares issued and outstanding		
as of December 31, 2011 and 2010, respectively	170.017	— 06.153
Additional paid-in capital	178,817	96,152
Accumulated other comprehensive loss	(77,607)	(78,709)
Total shareholders' equity	101,213	17,448
Total liabilities and shareholders' equity	\$116,668	\$ 24,013

See accompanying notes to financial statements.

ZILLOW, INC. STATEMENTS OF OPERATIONS (in thousands, except per share data)

	Year l	Ended Decem	ber 31,
	2011	2010	2009
Revenue	\$66,053	\$30,467	\$ 17,491
Costs and expenses:			,
Cost of revenue (exclusive of amortization) (1)	10,575	4,973	4,042
Sales and marketing	25,725	14,996	9,654
Technology and development	14,143	10,651	11,260
General and administrative (2)	14,613	6,684	5,501
Total costs and expenses	65,056	37,304	30,457
Income from operations	997	(6,837)	(12,966)
Other income	105	63	111
Net income (loss)	\$ 1,102	\$(6,774)	\$(12,855)
Net income (loss) attributable to common shareholders	\$ —	\$ (6,674)	\$(12,855)
Net income (loss) per share attributable to common shareholders—basic and			
diluted	\$ —	\$ (0.53)	\$ (1.02)
Weighted-average shares outstanding—basic	19,815	12,770	12,613
Weighted-average shares outstanding—diluted	22,305	12,770	12,613
(1) Amortization of website development costs and intangible assets included			
in technology and development is as follows:	\$ 5,384	\$ 4,184	\$ 4,797
(2) General and administrative includes a facility exit charge as follows:	\$ 1,737	\$ —	\$ —

See accompanying notes to financial statements.

ZILLOW, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)

		Conv	Onvertible Preferred Stock	rred Sto	ck		Class A		Class B	В	Class C	r)			Total
	Series A	ا	Series B	~	Series C	ย	Common Stock	stock	Common Stock	Stock	Common Stock	tock	Additional Paid-In	Accumulated	Shareholders'
	Shares A	Amount	Shares A	Amount	Shares A	Amount	Shares 1	Amount	Shares	Amount	Shares /	Amount	Capital	Deficit	Equity
Balance at December 31, 2008	17,931,034	\$ 2	6,933,103	- T	6,489,660	- \$	772,120	- - \$	9,528,313	- \$	2,305,980	- - -	\$ 90,915	\$(59,080)	\$ 31,840
Issuance of Class A common stock upon exercise of stock options	1		1	١	1	1	31,081	1	1	1	I		100	1	100
share-based compensation expense	1	ı	1	1	1	ļ	I	-	-	1	I	1	2,041		2,041
loss and total comprehensive loss	1	1	l	1	ŀ	I		l	I	I		I		(12,855)	(12,855)
Balance at December 31, 2009	. 17,931,034	2	6,933,103	-	6,489,660	-	803,201		9,528,313	<u> </u> -	2,305,980		93,056	(71,935)	21,126
upon exercise of stock options Share-based compensation	1	1	1	l	I	ļ	487,401	1		l		I	950	}	950
expense	1	I	1		ļ	1		ı		١	1	1	2,146	I	2,146
loss		,	1	1				ı		1	-	ı	1	(6,774)	(6,774)
Balance at December 31, 2010	. 17,931,034	7	6,933,103	_	6,489,660		1,290,602		9,528,313	-	2,305,980		96,152	(78,709)	17,448
upon exercise of stock options Share-based compensation	1		1		1	1	1,169,121	1	1	1	.1	ı	2,917	I	2,917
Class A common stock issued in	1	I	-	ļ	1		1	1		1	I	1	2,545	I	2,545
connection with an acquisition	1	l	1	l	1		207,100	١	l	1	ŀ	1	910		910
stock to Class A common stock in connection with initial public															
:	(17,931,034)	(2)	2) (6,933,103)	(1)	(1) (6,489,660)	\equiv	(1) 9,276,190	-		1	-	ŀ	33	1	
stock to Class A common stock in connection with initial public															
offering Issuance of Class A common stock in connection with initial multic	1	1		1	1	1	2,305,980	l		1	(2,305,980)	I	1		I
offering, net of issuance costs of	1						3 081 300	-					002.02		i on
Issuance of Class A common stock in concurrent private placement in connection with initial public							000,1000	•					0,130	l	70,791
offering	1	1		1		1	274,999	1					5,500	1	5,500
Class A common stock	1	l	1	1	1	ı	75,000		1	1	1	ı	l	I	
loss			1]	1	1	-	1	1		١	1,102	1,102
Balance at December 31, 2011		1		_			8,580,292	\$ 2 9	9,528,313	- -			\$178,817	\$(77,607)	\$101,213
				٠											

See accompanying notes to financial statements.

ZILLOW, INC. STATEMENTS OF CASH FLOWS (in thousands)

	Year E	ber 31,	
	2011	2010	2009
Operating activities			
Net income (loss)	\$ 1,102	\$(6,774)	\$(12,855)
Adjustments to reconcile net income (loss) to net cash provided by (used in)			
operating activities:			
Depreciation and amortization	7,190	5,262	6,407
Facility exit charge	1,737		_
Share-based compensation expense	1,945	1,715	1,651
Loss on disposal of property and equipment	157	161	44
Bad debt expense	594	240	10
Deferred rent	1,243	(266)	(246)
Amortization (accretion) of bond premium (discount)	181	(5)	(15)
Accounts receivable	(2,208)	(1,356)	(607)
Prepaid expenses and other assets	(2,882)	(69)	308
Accounts payable	916	327	59
Accrued expenses	2,460	546	385
Deferred revenue	2,391	2,477	642
Net cash provided by (used in) operating activities	14,826	2,258	(4,217)
Proceeds from investment maturities	4,750	17,578	13,050
Purchases of investments	(47,772)	(7,421)	(23,467)
Purchases of property and equipment	(7,686)	(4,896)	(23,407) $(3,622)$
Purchases of intangible assets	(1,135)	(630)	(455)
Acquisitions, net of cash acquired	(6,540)	(050)	(433)
- ·			
Net cash provided by (used in) investing activities	(58,383)	4,631	(14,494)
Proceeds from exercise of Class A common stock options	2,917	950	100
Proceeds from initial public offering, net of offering costs	70,788		_
Proceeds from concurrent private placement	5,500		
Net cash provided by financing activities	79,205	950	100
Net increase (decrease) in cash and cash equivalents during period	35,648	7,839	(18,611)
Cash and cash equivalents at beginning of period	12,278	4,439	23,050
Cash and cash equivalents at end of period	\$ 47,926	\$12,278	\$ 4,439
Supplemental disclosures of cash flow information			
Noncash transactions:			
Capitalized share-based compensation	\$ 600	\$ 431	\$ 390
Class A common stock issued in connection with an acquisition	\$ 910	\$ —	\$ —
Write-off of fully depreciated property and equipment in connection			
with a facility exit	\$ 2,133	\$ —	\$ —

See accompanying notes to financial statements.

ZILLOW, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Description of Business

Zillow, Inc. (the "Company," "we," "us" and "our") was incorporated as a Washington corporation effective December 13, 2004. We operate a real estate information marketplace dedicated to providing vital information about homes, real estate listings and mortgages and enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals.

Certain Significant Risks and Uncertainties

We operate in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, we believe that changes in any of the following areas could have a significant negative effect on us in terms of our future financial position, results of operations or cash flows: rates of revenue growth; engagement and usage of our products; scaling and adaptation of existing technology and network infrastructure; competition in our market; management of our growth; acquisitions and investments; qualified employees and key personnel; protection of our brand and intellectual property; changes in government regulation affecting our business; intellectual property infringement and other claims; protection of customers' information and privacy concerns; and security measures related to our websites, among other things.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates are used for revenue recognition, the allowance for doubtful accounts, website development costs, goodwill, recoverability of intangible assets with definite lives and other long-lived assets and for share-based compensation. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application.

Reverse Stock Split

On June 16, 2011, our board of directors and shareholders approved a 3.38-for-1 reverse stock split of our outstanding Class A common stock, Class B common stock and Class C common stock that was effected on June 17, 2011. The conversion prices at which shares of our convertible preferred stock were automatically converted were adjusted to reflect the reverse stock split. All references to Class A common stock, Class B common stock and Class C common stock in the financial statements and the notes thereto, including but not limited to the number of shares and per share amounts, unless otherwise noted, have been adjusted to reflect the reverse stock split retroactively. Previously awarded options to purchase shares of our Class A common stock have also been retroactively adjusted to reflect the reverse stock split.

Reclassifications and Prior Period Adjustments

Certain reclassifications have been made to conform data for prior periods to the current format.

The statements of cash flows for the years ended December 31, 2010 and 2009 have been revised to correct an immaterial error in the presentation of proceeds from investment maturities and purchases of investments. The proceeds from investment maturities and the purchases of investments for the years ended December 31, 2010 and 2009 were overstated by equal amounts of \$1.0 million and \$6.0 million, respectively, related to the inadvertent inclusion of purchases and maturities of cash equivalents in such amounts. However, the corrections had no impact on total net cash provided by (used in) investing activities or our balance sheets, statements of operations or statements of shareholders' equity for those periods.

Additionally, the proceeds from short-term investment maturities and the purchases of short-term investments for the unaudited nine months ended September 30, 2011 were overstated by equal amounts of \$70.5 million in the unaudited statement of cash flows included in our Form 10-Q for the quarterly period ended September 30, 2011, related to the inadvertent inclusion of purchases and maturities of cash equivalents in such amounts. The statement of cash flows for the nine months ended September 30, 2011 will be revised when we file our Form 10-Q for the quarterly period ending September 30, 2012. However, this correction will have no impact on total net cash provided by (used in) investing activities or our balance sheet or statement of operations for the nine months ended September 30, 2011.

Concentrations of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents, short-term and long-term investments and accounts receivable. We place cash and cash equivalents and short-term and long-term investments with major financial institutions, which management assesses to be of high credit quality, in order to limit exposure of our investments.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers. Further, our credit risk on accounts receivable is mitigated by the relatively short payment terms that we offer. Collateral is not required for accounts receivable. We maintain an allowance for doubtful accounts such that receivables are stated at their net realizable value.

Cash and Cash Equivalents

Cash includes currency on hand as well as demand deposits with banks or financial institutions. Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. Our cash equivalents include only investments with original maturities of three months or less. We regularly maintain cash in excess of federally insured limits at financial institutions.

Investments

As of December 31, 2011, our investments consist of fixed income government agency securities. Securities with maturities greater than three months but less than one year are classified as short-term investments. Securities with maturities greater than one year are classified as long-term investments. Our government agency securities are classified as held-to-maturity and are recorded at amortized cost, as we do not intend to sell the investments, and it is not more likely than not that we will be required to sell these investments prior to maturity. The amortized cost of our government agency securities approximates their fair value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 30 days and are recorded net of the allowance for doubtful accounts. We consider accounts outstanding longer than the contractual terms past due. We review accounts

receivable on a regular basis and estimate an amount of losses for uncollectible accounts based on our historical collections experience, age of the receivable, knowledge of the customer and the condition of the general economy and industry as a whole. We record changes in our estimate to the allowance for doubtful accounts through bad debt expense and relieve the allowance when accounts are ultimately determined to be uncollectible. Bad debt expense is included in general and administrative expenses.

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. The useful lives are as follows:

 Computer equipment
 3 years

 Office equipment, furniture, and fixtures
 5 to 7 years

 Purchased software
 3 years

 Leasehold improvements
 Shorter of expected useful life or lease term

Maintenance and repair costs are charged to expense as incurred. Major improvements, which extend the useful life of the related asset, are capitalized. Upon disposal of a fixed asset, we record a gain or loss based on the differences between the proceeds received and the net book value of the disposed asset.

Website and Software Development Costs

The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental and deemed by management to be significant, are capitalized in property and equipment and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful lives. Amortization expense related to capitalized website and software development costs is included in technology and development expense.

Capitalized development activities placed in service are amortized over the expected useful lives of those releases, currently estimated at one year. The estimated useful lives of website and software development activities are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition. We assess the impairment of goodwill on an annual basis, in our fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired.

We assess goodwill for possible impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the two-step goodwill impairment test. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in our statements of operations.

Intangible Assets

We purchase and license data content from multiple data providers. This data content consists of U.S. county data about home details (e.g., the number of bedrooms, bathrooms, square footage) and other information relating to the purchase price of homes, both current and historical, as well as imagery, mapping and parcel data that is displayed on our websites. Our home details data not only provides information about a home and its related transactions which is displayed on our websites, but is also used in our proprietary valuation algorithms to produce Zestimates, Rent Zestimates and Zillow Home Value Indexes. License agreement terms vary by vendor. In some instances, we retain perpetual rights to this information after the contract ends; in other instances, the information and data are licensed only during the fixed term of the agreement. Additionally, certain data license agreements provide for uneven payment amounts throughout the life of the contract term.

We capitalize payments made to third parties for data licenses that we expect to provide future economic benefit through the recovery of the costs of these arrangements via the generation of our revenue and margins. For data license contracts that include uneven payment amounts, we capitalize the payments as they are made as an intangible asset and amortize the total contract value over the estimated useful life. For contracts in which we have perpetual rights to the data, the total contract value is amortized on a straight-line basis over the life of the contract plus two years, which is equivalent to the estimated useful life of the asset. For contracts in which we do not have access to the data beyond the contractual term, the total contract value is amortized on a straight line basis over the term of the contract. We evaluate data content contracts for potential capitalization at the inception of the arrangement as well as each time periodic payments to third parties are made.

The amortization period for the capitalized purchased content is based on our best estimate of the useful life of the asset, which ranges from five to 7.5 years. The determination of the useful life includes consideration of a variety of factors including, but not limited to, our assessment of the expected use of the asset and contractual provisions that may limit the useful life, as well as an assessment of when the data is expected to become obsolete based on our estimates of the diminishing value of the data over time. We evaluate the useful life of the capitalized purchased data content each reporting period to determine whether events and circumstances warrant a revision to the remaining useful life. If we determine the estimate of the asset's useful life requires modification, the carrying amount of the asset is amortized prospectively over the revised useful life. The capitalized purchased data content is amortized on a straight-line basis as the pattern of delivery of the economic benefits of the data cannot reliably be determined because we do not have the ability to reliably predict future traffic to our websites and mobile applications.

Under certain other data agreements, the underlying data is obtained on a subscription basis with consistent monthly recurring payment terms over the contractual period. Upon the expiration of such arrangements, we no longer have the right to access the related data, and therefore, the costs incurred under such contracts are not capitalized and are expensed as payments are made. We would immediately lose rights to data under these arrangements if we were to cancel the subscription and/or cease making payments under the subscription arrangements.

We also have intangible assets for developed technology, customer relationships and trademarks which we recorded in connection with acquisitions. These intangible assets are amortized over the estimated useful life of the asset.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

We evaluate intangible assets and other long-lived assets for impairment whenever events or circumstances indicate that they may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated. We group assets for purposes of such review at the lowest level for which identifiable cash flows of the asset group are largely independent of the cash flows of the other groups of assets and liabilities. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group.

Deferred Revenue

Deferred revenue consists of prepaid but unrecognized subscription revenue, advertising fees received or billed in advance of the delivery or completion of the services and for amounts received in instances when revenue recognition criteria have not been met. Deferred revenue is recognized when the services are provided and all revenue recognition criteria have been met.

Deferred Rent

For our operating leases, we recognize rent expense on a straight-line basis over the terms of the leases and, accordingly, we record the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. Landlord-funded leasehold improvements, to the extent the improvements are not landlord property upon lease termination, are also recorded as deferred rent liabilities and are amortized as a reduction of rent expense over the non-cancelable term of the related operating lease.

Revenue Recognition

In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured. We consider a signed agreement, a binding insertion order or other similar documentation reflecting the terms and conditions under which products or services will be provided to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including payment history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

We generate revenue from the sale of advertising services to businesses and professionals primarily associated with the real estate and mortgage industries. These professionals include local real estate professionals, primarily on an individual subscription basis, and mortgage professionals and brand advertiser. Our revenue includes marketplace revenue and display revenue.

Marketplace Revenue. Marketplace revenue consists primarily of subscriptions sold to real estate agents under our Premier Agent program, and cost per click, or CPC, advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders and financial institutions.

Subscription advertising revenue is recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts are six months.

In Zillow Mortgage Marketplace, we present mortgage lenders' quotes to consumers who request rates for mortgage loans. We recognize revenue when a user clicks on a mortgage advertisement or on a link to obtain additional information about a mortgage loan quote.

Display Revenue. Display revenue primarily consists of graphical web and mobile advertising sold on a cost per thousand impressions, or CPM basis, to advertisers primarily in the real estate industry, including real estate brokerages, home builders, mortgage lenders and home services providers. We recognize display revenue as impressions are delivered to users interacting with our websites or mobile applications.

In 2009, one customer accounted for approximately 17% of our total revenue. There were no customers that generated 10% or more of our total revenue in the years ended December 31, 2011 or 2010.

Cost of Revenue

Our cost of revenue consists of expenses related to operating our websites and mobile applications, including associated headcount expenses, such as salaries and benefits and share-based compensation and bonuses. Cost of revenue also includes credit card fees, ad serving costs paid to third parties, revenue sharing costs related to our commercial business relationships and facilities costs allocated on a headcount basis.

Research and Development

Research and development costs are expensed as incurred. For the years ended December 31, 2011, 2010 and 2009, expenses attributable to research and development for our business totaled \$10.7 million, \$7.8 million and \$7.7 million, respectively. Research and development costs are recorded in technology and development expenses.

Other Income

Other income consists primarily of interest income earned on our cash and cash equivalents and investments.

Share-Based Compensation

We measure compensation expense for all share-based awards at fair value on the date of grant and recognize compensation expense over the service period on a straight-line basis for awards expected to vest.

We use the Black-Scholes-Merton option-pricing model to determine the fair value for stock options. In valuing our options, we make assumptions about risk-free interest rates, dividend yields, volatility, and weightedaverage expected lives, including estimated forfeiture rates. Risk-free interest rates are derived from U.S. Treasury securities as of the option grant date. Expected dividend yield is based on our historical dividend payments, which have been zero to date. As we do not have an extensive public trading history for our Class A common shares, the expected volatility for our Class A common stock is estimated using the published historical volatilities of industry peers in the online publishing market representing the verticals in which we operate. We estimate the weighted-average expected life of the options as the average of the vesting option schedule and the term of the award, since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time share-based awards have been exercisable. The term of the award is estimated using the simplified method, as awards are plain vanilla share options. Forfeiture rates are estimated using historical actual forfeiture trends as well as our judgment of future forfeitures. These rates are evaluated at least annually and any change in compensation expense is recognized in the period of the change. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

For issuances of restricted stock, we determine the fair value of the award based on the market value of our Class A common stock at the date of grant.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2011, 2010 and 2009, expenses attributable to advertising totaled \$4.0 million, \$0.2 million and \$0.1 million, respectively. Advertising costs are recorded in sales and marketing expenses.

Income Taxes

We use the asset and liability approach for accounting and reporting income taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. A valuation allowance against deferred tax assets would be established if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets are not expected to be realized.

We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

Recently Issued Accounting Standards

In June 2011, the FASB issued guidance on the presentation of comprehensive income to increase the prominence of other comprehensive income in the financial statements. An entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2011, with earlier adoption permitted. The guidance must be applied retrospectively. We have not early adopted this guidance; however, the adoption of this guidance is not expected to have a material effect on our financial condition and results of operations.

In September 2011, the FASB issued guidance on testing goodwill for impairment to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for fiscal years beginning after December 15, 2011 with earlier application permitted. We early adopted this guidance for our annual goodwill impairment test performed in our fourth quarter of 2011. The early adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

Note 3. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Assets and liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity; instruments valued
 based on the best available data, some of which is internally developed, and considers risk premiums
 that a market participant would require.

We applied the following methods and assumptions in estimating our fair value measurements:

Cash equivalents—Cash equivalents are comprised of highly liquid investments, including money market funds and certificates of deposit with original maturities of less than three months. The fair value measurement of these assets is based on quoted market prices in active markets and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 1 in the fair value hierarchy.

Short-term and long-term investments—Our investments consist of fixed income U.S. government agency securities. The fair value measurement of these assets is based on observable market-based inputs or inputs that are derived principally from or corroborated by observable market data by correlation or other means. The balance of short-term investments and long-term investments is \$28.9 million and \$15.3 million, respectively, at December 31, 2011, and these investments are classified as Level 1 in the fair value hierarchy. The balance of short-term investments was \$1.5 million at December 31, 2010, consisting entirely of U.S. Treasury securities which were classified as Level 1 in the fair value hierarchy. There were no long-term investments as of December 31, 2010.

The following tables present the balances of assets measured at fair value on a recurring basis as of the dates presented (in thousands), all of which are classified as Level 1 in the fair value hierarchy:

	Decem	ıber 31,
	2011	2010
Cash equivalents:		
Money market funds	\$24,201	\$11,517
Certificates of deposit	20,000	_
Short-term investments:		
Fixed income government agency securities	28,925	1,499
Long-term investments:		
Fixed income government agency securities	15,285	
Total	\$88,411	\$13,016

We did not have any Level 2 or Level 3 assets measured at fair value on a recurring basis as of December 31, 2011 or 2010. There were no liabilities measured at fair value on a recurring basis as of December 31, 2011 or 2010.

Note 4. Accounts Receivable, net

The following table presents the detail of accounts receivable as of the dates presented (in thousands):

	Decem	ber 31,
	2011	2010
Accounts receivable	\$6,321	\$4,485
Less: allowance for doubtful accounts	(683)	_(501)
Accounts receivable, net	\$5,638	\$3,984

The following table presents the changes in the allowance for doubtful accounts for the periods presented (in thousands):

	Year Er	nded Decen	iber 31,
	2011	2010	2009
Allowance for doubtful accounts:			
Balance, beginning of period	\$ 501	\$ 261	\$ 251
Additions charged to expense	594	377	314
Less: write-offs, net of recoveries and other adjustments	(412)	(137)	(304)
Balance, end of period	\$ 683	\$ 501	\$ 261

Note 5. Property and Equipment, net

The following table presents the detail of property and equipment as of the dates presented (in thousands):

	Decem	ber 31,
	2011	2010
Computer equipment	\$ 9,265	\$ 8,072
Website development costs	23,410	18,921
Leasehold improvements	519	1,891
Software	1,367	1,153
Construction-in-progress	1,629	675
Office equipment, furniture and fixtures	1,051	511
Property and equipment	37,241	31,223
Less: accumulated amortization and depreciation	(30,014)	(26,294)
Property and equipment, net	\$ 7,227	\$ 4,929

We recorded amortization and depreciation expense related to property and equipment other than website development costs of \$1.8 million, \$1.1 million and \$1.6 million, respectively, during the years ended December 31, 2011, 2010 and 2009.

We capitalized \$5.5 million, \$3.8 million and \$3.6 million, respectively, in website development costs during the years ended December 31, 2011, 2010 and 2009. Amortization expense for website development costs included in technology and development expenses was \$4.1 million, \$3.6 million and \$4.2 million, respectively, for the years ended December 31, 2011, 2010 and 2009.

Construction-in-progress primarily consists of website development costs that are capitalizable, but for which the associated applications had not been placed in service.

Note 6. Acquisitions

Diverse Solutions, Inc.

On October 31, 2011, Zillow, Diverse Solutions, Inc. ("Diverse Solutions") and Justin LaJoie, the controlling shareholder of Diverse Solutions, entered into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Zillow acquired substantially all of the operating assets, including intellectual property rights and intangible assets, of Diverse Solutions, a company that helps real estate agents market their businesses and improve their personal websites. Diverse Solutions' software services include providing listings content and property search functionality for the Web and mobile platforms. We offer the services as part of Zillow's platform of services to help agents grow their businesses and enhance their online presence.

In consideration for the acquisition of the operating assets of Diverse Solutions under the terms of the Purchase Agreement, Zillow assumed certain operating liabilities, paid Diverse Solutions approximately \$5.5 million in cash and issued to Diverse Solutions 75,000 restricted shares of Zillow's Class A common stock.

The purchase price is approximately \$5.5 million, reflecting the cash amount issued, as the fair value of the restricted shares relates to post-combination services and will be recorded as share-based compensation expense over the vesting period. Zillow's acquisition of substantially all of the operating assets of Diverse Solutions has been accounted for as a business combination, and assets acquired and liabilities assumed were recorded at their estimated fair values as of October 31, 2011. Goodwill, which represents the expected synergies from combining the acquired assets and the operations of the acquirer, as well as intangible assets that do not qualify for separate recognition, is measured as of the acquisition date as the residual of consideration transferred, which is also generally measured at fair value, and the net of the acquisition date fair value of the assets acquired and the liabilities assumed.

The following table summarizes the acquisition-date fair value of the assets and liabilities acquired in connection with the business combination (in thousands):

Identifiable assets	\$ 94
Identifiable intangible assets	3,051
Goodwill	
Liabilities assumed	(141)
Total net assets acquired	\$5,540

Intangibles assets acquired consisted of the following (in thousands):

		Amortization Period (Years)
Developed technology	\$2,005	5
Customer relationships	645	4
Trademarks	401	5
Total intangible assets acquired	\$3,051	

The preliminary estimated fair value of the intangible assets acquired was determined based on a third-party valuation. We used an income approach to measure the fair value of the developed technology, the customer relationships and the trademarks. The fair value of the developed technology and the trademarks was measured based on the relief-from-royalty method. The fair value of the customer relationships was based on the multiperiod excess earnings method, whereby the fair value is estimated based upon the present value of cash flows that the applicable asset is expected to generate. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 measurements under the fair value hierarchy.

Net tangible assets were valued at their respective carrying amounts, as we believe that these amounts approximate their current fair values.

The purchase price allocation is preliminary and subject to revision as more information becomes available but will not be revised beyond twelve months after the acquisition date.

Acquisition-related expenses of \$0.3 million for the year ended December 31, 2011, including legal and accounting fees and other external costs directly related to the acquisition, were expensed as incurred, and are included in general and administrative expenses.

The results of operations related to acquisition have been included in our financial statements since the date of acquisition. Pro forma financial information for the acquisition accounted for as a business combination has not been presented, as the effects were not material to our financial statements.

Postlets LLC

On March 3, 2011, we acquired all of the operating assets of Postlets LLC ("Postlets"), a real estate agent and rental property manager marketing service company. We offer the Postlets service as part of our platform of free and paid services for real estate professionals as an additional tool for marketing their listings across the web.

The purchase price paid was \$1.0 million in cash and 207,100 shares of Class A common stock. Acquisition-related expenses were expensed as incurred and were negligible.

Identifiable assets acquired in the business combination have been measured at fair value at the acquisition date. The following table summarizes the acquisition-date fair value of the assets acquired in connection with the business combination (in thousands):

Identifiable intangible assets	\$	770
Goodwill	_1	,140
Total assets acquired	\$1	,910

Intangibles assets acquired consisted of the following (in thousands):

		Amortization Period (Years)
Developed technology	\$630	2
Customer relationships	80	3
Trademarks	60	5
Total intangible assets acquired	<u>\$770</u>	

We used a cost approach to measure the fair value of the developed technology and the customer relationships, and we used an income approach to measure the fair value of trademarks. The valuation of the developed technology was based on the estimated cost to recreate the technology. The fair value of the customer relationships was based on the estimated cost to reacquire the customers. The trademarks were valued based on the relief-from-royalty method. The fair value of the Class A common stock issued as consideration in the asset acquisition was derived based on third-party valuation of our Class A common stock. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 measurements under the fair value hierarchy.

The results of operations related to the asset acquisition have been included in our financial statements since the date of acquisition. Pro forma financial information for the acquisition accounted for as a business combination has not been presented, as the effects were not material to our financial statements.

Note 7. Goodwill

During the year ended December 31, 2011, we recorded goodwill of \$3.7 million in conjunction with our acquisitions of the operating assets of Postlets and Diverse Solutions. All the goodwill recorded as of December 31, 2011 is deductible for tax purposes. There was no goodwill recorded as of December 31, 2010.

Note 8. Intangible Assets

The following table presents the detail of intangible assets subject to amortization as of the dates presented (in thousands):

	December 31,	
	2011	2010
Purchased content	\$ 5,150	\$ 4,184
Developed technology	2,635	_
Customer relationships		_
Trademarks	461	_
Less: accumulated amortization	(4,438)	(3,296)
Intangible assets, net	\$ 4,532	\$ 888

Amortization expense recorded for intangible assets for the years ended December 31, 2011, 2010 and 2009 was \$1.3 million, \$0.6 million and \$0.6 million, respectively, and these amounts are included in technology and development expenses. The remaining weighted-average amortization period as of December 31, 2011 and 2010, was approximately 3.9 years and 1.8 years, respectively.

Estimated future amortization expense for intangible assets, including \$14.0 million of amortization related to future commitments, as of December 31, 2011 is as follows (in thousands):

2012	\$ 4,347
2013	3,608
2014	3,530
2015	
2016	3,192
All future years	328
Total	\$18,490

Note 9. Income Taxes

We are subject to federal income taxes in the United States. For the years ended December 31, 2011, 2010 and 2009, we did not have taxable income and, therefore, no tax liability or expense has been recorded in the financial statements.

The following table presents a reconciliation of the federal statutory rate and our effective tax rate for the periods presented:

	Year Ended December 31,		
	2011	2010	2009
Tax expense at federal statutory rate	34.0%	(34.0%)	(34.0%)
Nondeductible expenses	10.0%	0.8%	1.3%
Stock-based compensation	37.1%	1.9%	0.0%
Research and development credits	(32.6%)	(1.7%)	(2.6%)
Valuation allowance	(48.5%)	33.0%	35.3%
Effective tax rate	0.0%	0.0%	0.0%

Deferred federal income taxes reflect the net tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and such amounts for tax purposes. The following table presents the significant components of our deferred tax assets and liabilities as of the dates presented (in thousands):

	December 31,	
	2011	2010
Deferred tax assets:		
Net operating loss carryforwards	\$ 19,437	\$ 21,361
Share-based compensation	1,858	2,524
Goodwill	763	
Intangibles	523	276
Depreciation and amortization	201	114
Start-up and organizational costs	597	663
Research and development credits	1,225	866
Accruals and reserves	840	194
Other	893	408
Total deferred tax assets	26,337	26,406
Website and software development costs	(1,357)	(891)
Net deferred tax assets before valuation allowance	24,980	25,515
Less: valuation allowance	(24,980)	(25,515)
Net deferred tax assets	\$ —	<u>\$</u>

Realization of deferred tax assets is dependent upon the generation of future taxable income, if any, the timing and amount of which are uncertain. We have provided a full valuation allowance against the net deferred tax assets as of December 31, 2011 and 2010 because there is a significant degree of uncertainty around our ability to realize the deferred tax assets in the future. The valuation allowance decreased by \$0.5 million and increased by \$2.2 million during the years ended December 31, 2011 and 2010, respectively.

We have accumulated tax losses of approximately \$68.6 million and \$64.0 million as of December 31, 2011 and 2010, respectively, which are available to reduce future taxable income. Approximately \$10.2 million of our net operating loss carryforwards relate to tax deductible share-based compensation in excess of amounts recognized for financial reporting purposes. To the extent that net operating loss carryforwards, if realized, relate to share-based compensation, the resulting tax benefits will be recorded to shareholders' equity, rather than to the statement of operations. Additionally, we have research and development credit carryforwards of \$1.2 million and \$0.9 million as of December 31, 2011 and 2010, respectively, which are available to reduce future tax liabilities. The tax loss and research and development credit carryforwards begin to expire in 2025. The use of these net operating loss carryforwards and research and development tax credits may be limited should an ownership change occur in future years under Internal Revenue Code Section 382.

We are currently not under audit in any tax jurisdiction. Tax years from 2008 through 2010 are currently open for audit by federal and state taxing authorities, while 2005 through 2007 are subject to adjustment to the extent the net operating loss from those years are utilized on a future year's tax return.

At December 31, 2011, the total amount of unrecognized tax benefits of \$1.2 million is recorded as a reduction to the deferred tax asset. We do not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease within the next 12 months. Accrued interest and penalties related to unrecognized tax benefits are recorded as income tax expense and are zero.

Changes for unrecognized tax benefits during the years ended December 31, 2011, 2010 and 2009 are as follows (in thousands):

Balance at January 1, 2008	\$ 587 166
Balance at December 31, 2009	
Gross increases—current-period tax positions	
Balance at December 31, 2010	
Gross increases—current-period tax positions	
Balance at December 31, 2011	

Note 10. Shareholders' Equity

IPO of Class A Common Stock and Concurrent Private Placement

On July 25, 2011, we closed our initial public offering ("IPO") of 3,981,300 shares of Class A common stock at an offering price of \$20.00 per share, including 519,300 Class A common shares pursuant to the underwriters' option to purchase additional shares, and also closed the sale of 274,999 shares of our Class A common stock in a private placement at a price of \$20.00 per share, resulting in proceeds to us of \$76.3 million after deducting underwriting discounts and commissions of \$5.6 million and additional offering-related expenses of \$3.3 million, for total net expenses of \$8.9 million.

Convertible Preferred Stock

Upon the effectiveness of the our registration statement on July 19, 2011, all of the outstanding shares of convertible preferred stock automatically converted into 9,276,190 shares of Class A common stock.

Common Stock

Our Class A common stock has no preferences or privileges and is not redeemable. Holders of Class A common stock are entitled to one vote for each share.

Class B common stock has no preferences or privileges and is not redeemable. At any time after the date of issuance, each share of Class B common stock, at the option of the holder, shall be converted into one share of Class A common stock, or automatically converted upon the affirmative vote by or written consent of holders of a majority of the shares of the Class B common stock. Holders of Class B common stock are entitled to 10 votes for each share.

Upon the effectiveness of the registration statement on July 19, 2011, all of the outstanding shares of our Class C common stock automatically converted into 2,305,980 shares of Class A common stock.

The following shares of Class A common stock have been reserved for future issuance as of the dates presented:

	December 31, 2011	December 31, 2010
Class A common stock options outstanding	5,361,256	5,010,310
Class A common stock options available for grant	979,024	1,021,571
Shares issuable upon conversion of outstanding convertible preferred stock		9,276,190
Shares issuable upon conversion of outstanding Class B common stock	9,528,313	9,528,313
Shares issuable upon conversion of outstanding Class C common stock		2,305,980
Total	15,868,593	27,142,364

Note 11. Share-Based Awards

Upon execution of the underwriting agreement related to our IPO on July 19, 2011, the 2011 Incentive Plan (the "2011 Plan") became effective. The 2011 Plan is administered by the compensation committee of the board of directors. Under the terms of the 2011 Plan, the compensation committee may grant equity awards, including incentive stock options or nonqualified stock options, to employees, officers, directors, consultants, agents, advisors and independent contractors. Following effectiveness of the 2011 Plan, all equity awards will be granted under the 2011 Plan rather than the Amended and Restated 2005 Equity Incentive Plan (the "2005 Plan"), which was the preexisting plan. On August 5, 2011, we filed a registration statement on Form S-8 under the Securities Act to register 6,816,135 shares of our Class A common stock for issuance under our 2005 Plan and 2011 Plan.

All stock options granted under the 2005 Plan and the 2011 Plan were nonqualified stock options. Options under the 2011 Plan are granted with an exercise price per share not less than 100% of the fair market value of our Class A common stock on the date of grant, and are exercisable at such times and under such conditions as determined by the compensation committee. Under the 2011 Plan, the maximum term of an option is ten years from the date of grant. Any portion of an option that is not vested and exercisable on the date of a participant's termination of service expires on such date. Employees generally forfeit their rights to exercise vested options after 3 months or 12 months following their termination of employment, depending on the reason for the termination. Options granted to date under the 2011 Plan have been granted with seven-year terms and vest 25% after 12 months and ratably thereafter over the next 36 months.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2011:

	Options Available for Grant	Shares Subject to Existing Options	Average Exercise Price Per Share	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	1,021,571	5,010,310	4.03	4.48	\$ 3,843,806
Authorized increase in plan shares	1,477,514	_			
Granted	(1,688,636)	1,688,636	10.25		
Exercised		(1,169,115)	2.50		
Forfeited or cancelled	168,575	(168,575)	7.05		
Outstanding at December 31, 2011	979,024	5,361,256	6.23	4.51	89,749,207
Vested and exercisable at December 31,					
2011		2,599,853	4.84	3.15	45,876,489

As of December 31, 2011, there was a total of \$7.1 million in unrecognized compensation cost related to nonvested stock options, which is expected to be recognized over a weighted-average period of 2.77 years. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was \$11.3 million, \$0.9 million and \$32 thousand respectively.

The fair values of stock options granted during the years ended December 31, 2011, 2010 and 2009 were determined on the dates of grant using the Black-Scholes-Merton option valuation model with the following weighted average assumptions:

	Year Ended December 31,			
	2011	2010	2009	
Expected volatility	49%	50%	55%	
Expected dividend yields			_	
Average risk-free interest rate	0.79 - 1.87%	1.23 - 2.16%	1.70 - 2.19%	
Weighted-average expected life	4.58 years	4.58 years	4.58 years	
Weighted-average fair value of options granted	\$ 4.66	\$ 1.52	\$ 1.62	

The fair value of shares vested at December 31, 2011, 2010 and 2009 was \$1.0 million, \$1.3 million and \$0.8 million, respectively.

The following table summarizes information about options outstanding and vested stock options as of December 31, 2011:

	Options Outstanding			Options Vested and Exercisable		
Exercise Price or Range	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$0.66 – \$3.245	665,677	3.94	\$ 2.64	362,245	\$ 2.14	
\$3.380	159,894	1.07	3.38	159,894	3.38	
\$3.515	754,446	4.12	3.52	499,168	3.52	
\$3.583	814,301	5.19	3.58	340,917	3.58	
\$3.853	71,672	4.81	3.85	31,348	3.85	
\$3.887	1,073,347	6.16	3.89			
\$3.988 – \$6.523	844,987	3.25	6.20	645,687	6.19	
\$7.267 – \$8.957	579,799	2.90	7.40	559,970	7.40	
\$24.80 - \$29.69	199,455	6.85	27.26	624	26.63	
\$30.850	197,678	6.71	30.85		_	
Total	<u>5,361,256</u>	4.51	6.23	<u>2,599,853</u>	4.84	

Restricted Stock

In consideration for the acquisition of substantially all of the operating assets of Diverse Solutions under the terms of the Purchase Agreement, Zillow issued to Diverse Solutions 75,000 restricted shares of Zillow's Class A common stock effective on October 31, 2011. The grant date fair value of the restricted shares is approximately \$2.2 million. One-third of the restricted shares will vest and no longer be subject to forfeiture on the first anniversary of the vesting commencement date, which is October 31, 2011, subject to Justin LaJoie's (the controlling shareholder of Diverse Solutions) continued employment or service to Zillow until such date. The remaining shares will vest ratably over the twenty-four months following such first anniversary, subject to Justin LaJoie's continued employment or service to Zillow. In the event of Justin LaJoie's termination of service by Zillow without cause or by Justin LaJoie for good reason, any unvested shares on the date of such termination will become vested and no longer subject to forfeiture.

The fair value of the restricted shares relates to post-combination services and will be recorded as share-based compensation expense over the vesting period. As of December 31, 2011, there was \$2.1 million of total unrecognized compensation cost related to the restricted shares.

Share-Based Compensation Expense

The following table presents the effects of share-based compensation expense recognized in our statements of operations during the periods presented (in thousands):

	Year Ended December 31			31,		
	2011		2010		2009	
Cost of revenue	\$	189	\$	210	\$	183
Sales and marketing		388		445		408
Technology and development		546		389		394
General and administrative	_	822	_	671		666
	\$1,	,945	\$1	,715	<u>\$1</u>	,651

For the year ended December 31, 2011, the table above includes approximately \$0.1 million of share-based compensation expense related to the restricted shares, which was recorded in technology and development expense.

Note 12. Net Income (Loss) Per Share Attributable to Common Shareholders

Basic net income (loss) per share attributable to common shareholders is computed by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares (including Class A common stock, Class B common stock and Class C common stock) outstanding during the period. In the calculation of basic net income (loss) per share attributable to common shareholders, undistributed earnings are allocated assuming all earnings during the period were distributed. Net income is first allocated to the Series A, B and C convertible preferred shareholders, as the convertible preferred stock is a participating security and the preferred shareholders have contractual preferential rights to distributions. For the year ended December 31, 2011, all income was first allocated to the Series A, B and C convertible preferred shareholders, and as a result, there is no income attributable to common shareholders. For the years ended December 31, 2010 and 2009, no losses were allocated to Series A, B and C convertible preferred shareholders, as these shareholders did not have contractual obligations to share in or fund the losses of the Company. Thus, for the years ended December 31, 2010 and 2009, the net loss is allocated entirely to the Class A common stock, Class B common stock and Class C common stock.

Diluted net income (loss) per share attributable to common shareholders is computed by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares (including Class A common stock, Class B common stock and Class C common stock) outstanding during the period and potentially dilutive Class A common stock equivalents, except in cases where the effect of the Class A common stock equivalent would be antidilutive. Potential Class A common stock equivalents consist of Class A common stock issuable upon exercise of stock options using the treasury stock method, and for the years ended December 31, 2010 and 2009 include Class A common stock issuable upon the automatic conversion of our Series A, B and C convertible preferred stock on July 19, 2011.

For the year ended December 31, 2011, 2,490,581 Class A common stock equivalents underlying stock options were included in the computation of diluted net income per share attributable to common shareholders because they had a dilutive impact. For the year ended December 31, 2011, 75,000 shares of Class A common stock underlying nonvested Restricted Shares were excluded in the computation of diluted net income per share as their effect would have been antidilutive.

For the years ended December 31, 2010 and 2009, 5,010,310 and 4,394,807, respectively, shares underlying stock options and 9,276,190 shares of Class A common stock issued upon the automatic conversion of our convertible preferred stock on July 19, 2011 have been excluded from the calculations of diluted net income (loss) per share attributable to common shareholders because their effect would have been antidilutive.

In the event of liquidation, dissolution, distribution of assets or winding-up of the Company, the holders of all classes of common stock have equal rights to receive all the assets of the Company after the rights of the holders of the preferred stock have been satisfied. We have not presented net loss per share under the two-class method for our Class A common stock, Class B common stock and Class C common stock because it would be the same for each class due to equal dividend and liquidation rights for each class.

Note 13. Commitments and Contingencies

Lease Commitments

We have various operating leases for office space and equipment. We moved into our current headquarters in Seattle, Washington in August 2011 under an operating lease for which we will be obligated to make escalating monthly lease payments beginning in December 2012 and continuing through November 2022. We lease additional office space in San Francisco, California, Irvine, California, Chicago, Illinois and New York, New York.

The operating lease for our headquarters prior to August 2011 expires in February 2013. As a result of vacating the office space, we recorded a facility exit charge for \$1.7 million related to costs that will continue to be incurred under the operating lease for the remaining term. The \$1.7 million facility exit charge is included in general and administrative expenses in the statement of operations for the year ended December 31, 2011. As of December 31, 2011, there was \$1.4 million of accrued facility exit costs included in accrued expenses and other current liabilities and \$0.1 million included in other non-current liabilities.

A summary of activity for the year ended December 31, 2011 related to the facility exit charge accrual is as follows (in thousands):

Balance, beginning of the period	\$ —
Charges and adjustments	2,236
Less: cash payments	(695)
Balance, end of period	\$1,541

For the year ended December 31, 2011, the charges and adjustments related to the facility exit charge accrual of \$2.2 million include the impact of the \$1.7 million facility exit charge, as well as approximately \$0.6 million in adjustments for the effects of deferred items recognized under the lease and estimated sublease income.

Future minimum payments for all operating leases as of December 31, 2011 are as follows (in thousands):

2012	\$ 1,800
2013	2,120
2014	1,845
2015	1,799
2016	1,864
All future years	12,370
Total future minimum lease payments	\$21,798

Rent expense for the years ended December 31, 2011, 2010 and 2009, was \$2.1 million, \$1.2 million and \$1.3 million, respectively.

Purchase Commitments

As of December 31, 2011, we had non-cancelable purchase commitments for content related to our websites totaling \$8.8 million. The amount due for this content is as follows (in thousands):

2012	\$2,207
2013	1,888
2014	1,888
2015	1,888
2016	897
Total future purchase commitments	\$8,768

Line of Credit and Letters of Credit

In March 2011, we entered into a loan and security agreement with a financial institution to establish a line of credit of \$4.0 million, secured by substantially all our assets other than our intellectual property, to be used for general business purposes. The line of credit contains financial and non-financial covenants. As of December 31, 2011, we were in compliance with all covenants. The line of credit is available through March 2013. In March 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our new Seattle offices and reserved this amount against the line of credit, which reduces the available line to \$2.5 million. As of December 31, 2011 there were no other amounts outstanding under the line of credit.

We have four outstanding letters of credit totaling \$0.6 million as of December 31, 2011, payable to the landlord of our prior headquarters office in Seattle, Washington, in the event we default on our lease, which expires in February 2013. We had three outstanding letters of credit totaling \$0.6 million and \$0.7 million at December 31, 2010 and 2009, respectively. The letters of credit are secured by our investments and are effective until 60 days after the expiration date of the lease.

Legal Proceedings

In March 2010, Smarter Agent, LLC ("Smarter Agent") filed a complaint against us for patent infringement in the U.S. District Court for the District of Delaware. The complaint seeks, among other things, a judgment that

we may have infringed certain patents held by Smarter Agent, an injunctive order against the alleged infringing activities and an award for damages. In November 2010, the U.S. Patent Office granted our petition for re-examination of the three patents-in-suit, and in an initial office action rejected all claims. In March 2011, the court granted a stay of the litigation pending the completion of the re-examination proceedings. We were granted a stay against the patent infringement complaint. We have not recorded an accrual related to this complaint as of December 31, 2011 or December 31, 2010 as we do not believe a material loss is probable. It is a reasonable possibility that a loss may be incurred; however, the possible loss or range of loss is not estimable. In addition, in October 2011, Smarter Agent filed a substantially similar complaint against Diverse Solutions, and other defendants, for patent infringement in the U.S. District Court for the District of Delaware. On October 31, 2011, we acquired substantially all of the operating assets and certain liabilities of Diverse Solutions, including the Smarter Agent complaint.

In April 2010, First American CoreLogic ("CoreLogic") filed a complaint against us, for patent infringement in the U.S. District Court for the Eastern District of Texas. The complaint sought, among other things, a judgment that we may have infringed certain patents held by CoreLogic, an injunctive order against the alleged infringing activities and an award for damages. In December 2011, CoreLogic and Zillow entered into a settlement agreement under which each of the parties granted the other a full release from, and covenanted not to sue the other party based on, any claim relating to this litigation or conduct in the settlement negotiations prior to the effective date of the agreement. CoreLogic further covenanted not to sue us based on any claim relating to assertions of infringement of the CoreLogic patent at issue in the litigation. The parties also entered into a master license agreement with a contractual term of five years under which we license data content from CoreLogic that will be displayed on our website, including property data from various U.S. counties. A portion of the total consideration has been recorded in general and administrative expense during the year ended December 31, 2011 for the estimated fair value of the settlement component of the arrangement. A portion of the total consideration has been allocated to the data license under the terms of the master license agreement with CoreLogic. As the master license agreement includes uneven payment amounts over the term of five years, we will capitalize the payments as they are made as an intangible asset and amortize the total contract value over the estimated useful life, as we expect that the purchased content will provide future economic benefit through the recovery of the costs of the arrangements via the generation of our revenue and margins.

In September 2010, LendingTree, LLC filed a complaint against us, for patent infringement in the U.S. District Court for the Western District of North Carolina. The complaint seeks, among other things, a judgment that we may have infringed certain patents held by LendingTree, an injunctive order against the alleged infringing activities and an award for damages. We have not recorded an accrual related to this complaint as of December 31, 2011 or December 31, 2010 as we do not believe a material loss is probable. It is a reasonable possibility that a loss may be incurred; however, the possible loss or range of loss is not estimable.

In November 2011, CIVIX-DDI, LLC ("CIVIX") granted us a full release and discharge from any and all claims for infringement of two patents owned by CIVIX, both covering "System and Methods for Remotely Accessing a Selected Group of Items of Interest From a Database", and a fully paid-up, perpetual, irrevocable, non-exclusive, world-wide, royalty free, personal right and license under all patents and patent applications owned or controlled by CIVIX as of the effective date, for total consideration of \$850,000. The full release and license was provided outside the context of litigation. A portion of the total consideration has been recorded in general and administrative expense during the year ended December 31, 2011 for the estimated fair value of the settlement component of the arrangement. The remaining consideration has been recorded as a prepaid royalty to be amortized and recorded in cost of revenue through the expiration of the related patent in January 2015.

In addition to the matters discussed above, from time to time, we are involved in litigation and claims that arise in the ordinary course of business. Although we cannot be certain of the outcome of any litigation and claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In the ordinary course of business, we enter into contractual arrangements under which we agree to provide indemnification of varying scope and terms to business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements and out of intellectual property infringement claims made by third parties. In these circumstances, payment may be conditional on the other party making a claim pursuant to the procedures specified in the particular contract. Further, our obligations under these agreements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments. In addition, we have indemnification agreements with certain of our directors and executive officers that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The terms of such obligations may vary.

Note 14. Segment Information and Revenue

We have one reportable segment. Our reportable segment has been identified based on how our chief operating decision-maker manages our business, makes operating decisions and evaluates operating performance. The chief executive officer acts as the chief operating decision-maker and reviews financial and operational information on an entity-wide basis. We have one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components. Accordingly, we have determined that we have a single reporting segment and operating unit structure.

The chief executive officer reviews information about revenue categories for purposes of allocating resources and evaluating financial performance. The following table presents our revenue categories during the periods presented (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Marketplace revenue	\$42,190	\$13,228	\$ 3,912
Display revenue	23,863	17,239	13,579
Total	\$66,053	\$30,467	\$17,491

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, with the participation of our management, and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

We have adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, principal accounting officer and controller and persons performing similar functions. The Code of Ethics is posted on our website at http://investors.zillow.com/Governance.cfm. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Ethics by posting such information on our website at the address specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our definitive proxy statement relating to our 2012 annual meeting of shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the 2011 fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

We have filed the financial statements listed in the Index to Financial Statements as a part of this Annual Report.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable, not material or the required information is presented in the financial statements or the notes thereto.

(a)(3) Exhibits

The list of exhibits included in the Exhibit Index to this Annual Report is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZILLOW, INC.

Date: March 2, 2012

By: /s/ CHAD M. COHEN
Name: Chad M. Cohen

Name: Ch

Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on March 2, 2012.

Signature	<u>Title</u>
/s/ SPENCER M. RASCOFF Spencer M. Rascoff	Chief Executive Officer (Principal Executive Officer) and Director
/s/ CHAD M. COHEN Chad M. Cohen	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ RICHARD BARTON Richard Barton	Executive Chairman and Director
/s/ LLOYD D. FRINK Lloyd D. Frink	Vice Chairman, President and Director
/s/ ERIK BLACHFORD Erik Blachford	Director
/s/ J. WILLIAM GURLEY J. William Gurley	Director
/s/ JAY C. HOAG Jay C. Hoag	Director
/s/ GREGORY B. MAFFEI Gregory B. Maffei	Director
/s/ GORDON STEPHENSON Gordon Stephenson	Director

EXHIBIT INDEX

Certain of the following exhibits have heretofore been filed with the Securities and Exchange Commission and are incorporated by reference from the documents described in parentheses. Certain others are filed herewith. The exhibits are numbered in accordance with Item 601 of Regulation S-K.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation, dated July 20, 2011 (Filed as Exhibit 3.1 to Zillow, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-35237) filed on August 25, 2011, and incorporated herein by reference).
3.2	Amended and Restated Bylaws, dated July 25, 2011 (Filed as Exhibit 3.2 to Zillow, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-35237) filed on August 25, 2011, and incorporated herein by reference).
4.1	Specimen of Class A Common Stock Certificate (Filed as Exhibit 4.1 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).
4.2	Second Amended and Restated Investors' Rights Agreement, dated September 7, 2007 (Filed as Exhibit 4.2 to Zillow, Inc.'s to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on April 18, 2011, and incorporated herein by reference).
4.3	Common Stock Purchase Agreement among Zillow, Inc., TCV V, L.P., TCV Member Fund, L.P., and PAR Investment Partners, L.P. dated June 16, 2011 (Filed as Exhibit 4.3 to Zillow, Inc.'s Current Report on Form 8-K (SEC File No. 001-35237) filed on July 29, 2011, and incorporated herein by reference).
10.1*	Form of Indemnification Agreement between Zillow, Inc. and each of its directors and executive officers (Filed as Exhibit 10.1 to Zillow, Inc.'s Registration Statement on Form S-1 (SEC File No. 333-173570) filed on April 18, 2011, and incorporated herein by reference).
10.2*	Zillow, Inc. 2011 Incentive Plan (Filed as Exhibit 10.2 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).
10.3*	Form of Stock Option Grant Notice and Stock Option Agreement under the Zillow, Inc. 2011 Incentive Plan (Filed as Exhibit 10.3 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).
10.4*	Zillow, Inc. Amended and Restated 2005 Equity Incentive Plan (Filed as Exhibit 10.5 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).
10.5*	Form of Stock Option Grant Notice and Stock Option Agreement under the Zillow, Inc. Amended and Restated 2005 Equity Incentive Plan (Filed as Exhibit 10.6 to Zillow, Inc.'s Registration Statement on Form S-1 (SEC File No. 333-173570) filed on April 18, 2011, and incorporated herein by reference).
10.6	Office Lease between The Northwestern Mutual Life Insurance Company and Zillow, Inc. dated March 22, 2011 (Filed as Exhibit 10.10 to Zillow, Inc.'s Registration Statement on Form S-1 (SEC File No. 333-173570) filed on April 18, 2011, and incorporated herein by reference).
10.7†	Listings and Sales Agreement by and among Yahoo! Inc., Yahoo! Realty Inc. and Zillow, Inc. dated July 2, 2010 (Filed as Exhibit 10.11 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).

- 10.8 Loan and Security Agreement by and between Silicon Valley Bank and Zillow, Inc. dated March 4, 2011 (Filed as Exhibit 10.12 to Zillow, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on May 23, 2011, and incorporated herein by reference).
- 10.9* Forms of Confidential Information, Inventions, Nonsolicitation and Noncompetition Agreement for the officers of Zillow, Inc. (Filed as Exhibit 10.13 to Zillow, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on May 23, 2011, and incorporated herein by reference).
- 10.10* Executive Employment Agreement by and between Spencer M. Rascoff and Zillow, Inc. (Filed as Exhibit 10.14 to Zillow, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on May 23, 2011, and incorporated herein by reference).
- 10.11* Executive Employment Agreement by and between Chad M. Cohen and Zillow, Inc. (Filed as Exhibit 10.15 to Zillow, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on May 23, 2011, and incorporated herein by reference).
- 10.12* Executive Employment Agreement by and between Kathleen Philips and Zillow, Inc. (Filed as Exhibit 10.16 to Zillow, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on May 23, 2011, and incorporated herein by reference).
- 10.13* Stock Option Grant Program for Nonemployee Directors under the Zillow, Inc. 2011 Incentive Plan (Filed as Exhibit 10.17 to Zillow, Inc.'s Amendment No. 3 to Registration Statement on Form S-1 (SEC File No. 333-173570) filed on June 20, 2011, and incorporated herein by reference).
- 23.1 Consent of Ernst & Young LLP, independent registered public accounting firm.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS+ XBRL Instance Document.
- 101.SCH+ XBRL Taxonomy Extension Schema Document.
- 101.CAL+ XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF+ XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB+ XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE+ XBRL Taxonomy Extension Presentation Linkbase Document.
- * Indicates a management contract or compensatory plan or arrangement.
- † Portions of this exhibit have been omitted pursuant to a confidential treatment order by the Securities and Exchange Commission.
- + Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Exchange Act of 1934 and otherwise are not subject to liability.

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Board of Directors

Richard N. Barton

Executive Chairman, Zillow, Inc.

Erik Blachford^{1,2}

Executive Chairman, Butterfield & Robinson, Inc.

Lloyd D. Frink

Vice Chairman and President, Zillow, Inc.

J. William Gurley^{1,3}

General Partner, Benchmark Capital

Jay C. Hoag²

General Partner,

Technology Crossover Ventures

Gregory B. Maffel¹

Chief Executive Officer, Liberty Media Corporation

Spencer M. Rascoff

Chief Executive Officer, Zillow, Inc.

Gordon Stephenson^{2,3}

Managing Broker, Real Property Associates

Board Committees

- ¹ Audit Committee
- ² Compensation Committee
- ³ Nominating and Governance Committee

Executive Officers

Spencer M. Rascoff

Chief Executive Officer

Richard N. Barton

Executive Chairman

Lloyd D. Frink

Vice Chairman and President

David A. Beitel

Chief Technology Officer

Amy Bohutinsky

Chief Marketing Officer

Chad M. Cohen

Chief Financial Officer and Treasurer

Kathleen Philips

General Counsel and Secretary

Greg M. Schwartz

Chief Revenue Officer

Shareholders' Information

Annual Shareholders Meeting June 1, 2012 • 8:00 a.m. 1301 Second Avenue, Floor 17, Bainbridge/Whidbey room Seattle, Washington 98101

Corporate Headquarters

1301 Second Avenue, Floor 31 Seattle, Washington 98101

www.zillow.com

NASDAQ Listing

NASDAQ Symbol - Z

Investor Relations (866) 504-0030 ir@zillow.com

Independent Accountants

Ernst & Young LLP Seattle, Washington

Transfer Agent

Computershare Shareowner Services LLC 480 Washington Boulevard Jersey City, NJ 07310-1900 (866) 411-1103

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties, including the statements regarding our belief about our plans, objectives, expectations, strategies, intentions or other characterizations of future events or circumstances. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. Differences in our actual results from those anticipated in these forward-looking statements may result from actions taken by us as well as from risks and uncertainties beyond our control. Factors that may contribute to such differences include, but are not limited to, those discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission, or SEC, and in our other filings with the SEC. Except as may be required by law, we do not intend, and undertakes no duty, to update this information to reflect future events or circumstances.



ZILLOW INC

FORM 10-Q (Quarterly Report)

Filed 08/09/12 for the Period Ending 06/30/12

Address 1301 SECOND AVENUE

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ QUARTER ACT 1934	RLY REPORT PURSUANT TO SECTION	13 OR 15(d) OF THE SECURITIES EXCHANGE
	For the quarterly period	ended June 30, 2012
☐ TRANSITI	ON REPORT PURSUANT TO SECTION 034	13 OR 15(d) OF THE SECURITIES EXCHANGE
	Commission File Nu	mber: 001-35237
	ZILLOV	
	(Exact name of registrant as	s specified in its charter)
	Washington (State or other jurisdiction of incorporation or organization)	20-200033 (I.R.S. Employer Identification Number)
1301 Seco	nd Avenue, Floor 31, Seattle, Washington (Address of principal executive offices)	98101 (Zip Code)
	(206) 470 (Registrant's telephone numb	
Act of 1934 during t		required to be filed by Section 13 or 15(d) of the Securities Exchange the registrant was required to file such reports), and (2) has been
Data File required to	eck mark whether the registrant has submitted electron be submitted and posted pursuant to Rule 405 of Reg period that the registrant was required to submit and po	ically and posted on its corporate Web site, if any, every Interactive ulation S-T (§232.405 of this chapter) during the preceding 12 months set such files). Yes \boxtimes No \square
Indicate by ch company. See the de Act.	eck mark whether the registrant is a large accelerated f efinitions of "large accelerated filer," "accelerated filer	iler, an accelerated filer, a non-accelerated filer, or a smaller reporting "and "smaller reporting company" in Rule 12b-2 of the Exchange
Large accelerated fil	er 🗆	Accelerated filer
Non-accelerated file	r 🗵 (Do not check if a smaller reporting compar	smaller reporting company
Indicate by ch	eck mark whether the registrant is a shell company (as	defined in Rule 12b-2 of the Exchange Act). Yes □ No 区
As of July 31,	2012, 21,007,929 shares of Class A common stock and	d 8,295,026 shares of Class B common stock were outstanding.

ZILLOW, INC.

Quarterly Report on Form 10-Q

For the Three Months Ended June 30, 2012

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As used in this Quarterly Report on Form 10-Q, the terms "Zillow," "the Company," "we," "us" and "our" refer to Zillow, Inc., unless the context indicates otherwise.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including Part I, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Part II, Item 1A (Risk Factors), contains forward-looking statements based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including but not limited to, our ability to maintain and effectively manage an adequate rate of growth; the impact of the real estate industry on our business; our ability to innovate and provide products and services that are attractive to our users and advertisers; our ability to increase awareness of the Zillow brand in a cost-effective manner; our ability to maintain or establish relationships with listings and data providers; our ability to attract consumers to our websites and mobile applications; our ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments; our ability to compete successfully against existing or future competitors; the reliable performance of our network infrastructure and content delivery process; and our ability to protect our intellectual property. Further discussion of factors that may affect our business and results of operations is included in Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q and in Part 1, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2011. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

ZILLOW, INC. CONDENSED BALANCE SHEETS (in thousands, except share data, unaudited)

	June 30, 2012	December 31,
Assets (a finite in a finite in a case of the finite in th		**
Cash and cash equivalents Short-term investments Accounts receivable, net of allowance for doubtful accounts of \$763 and \$683 at June 30, 2012 and	\$ 25,792 43,810	\$ 47,926 28,925
December 31, 2011, respectively Prepaid expenses and other current assets	7,775 1.617	5,638 3,214
Total current assets Long-term investments	78,994	85,703
Property and equipment, net Goodwill Intangible assets, net	10,665 35,432 9,655	15,285 7,227 3,676 4,532
Other assets	407	245
Total assets अभिवासिक का अध्यक्षित का अध्यक्षित के विशेष्ट अवस्थित का अध्यक्षित के स्वास के स्वास के अधिक अध्य	\$135,153	\$ 116,668
Liabilities and shareholders' equity Current liabilities:		
Accounts payable Accrued expenses and other current liabilities Accrued compensation and benefits Deferred revenue Deferred rent, current portion	\$ 3,472 5,209 2,676 8,699	\$ 1,681 4,893 1,587 5,769
Total current liabilities Deferred rent, net of current portion Other non-current liabilities	20,120 2,247	13,990 1,347 118
Commitments and contingencies (Note 13) Shareholders' equity: Preferred stock, \$0.0001 par value; 30,000,000 shares authorized as of June 30, 2012 and December 31, 2011; no shares issued and outstanding as of June 30, 2012 and December 31, 2011 Class A common stock, \$0.0001 par value; 600,000,000 shares authorized as of June 30, 2012 and December 31, 2011; 20,859,428 and 18,580,292 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively		
Class B common stock, \$0.0001 par value; 15,000,000 shares authorized as of June 30, 2012 and December 31, 2011; 8,341,026 and 9,528,313 shares issued and outstanding as of June 30, 2012 and December 31, 2011 Additional paid-in capital Accumulated deficit Total shareholders' equity Total liabilities and shareholders' equity	$ \begin{array}{r} 1 \\ 187,334 \\ \underline{(74,551)} \\ \underline{112,786} \\ \underline{$135,153} \end{array} $	178,817 (77,607) 101,213 \$ 116,668

See accompanying notes to condensed financial statements.

ZILLOW, INC. CONDENSED STATEMENTS OF OPERATIONS (in thousands, except per share data, unaudited)

				onths Ended ne 30,		ths Ended e 30,
Revenue			2012 \$27,765	\$15,845	\$50,598	\$27,105
Costs and expenses:			W21,103	Ψ£2,0 1 2	φυν,υσο.	\$27,103
Cost of revenue (exclusive of amortization) (1)			3,264	2,713	6,614	4,529
Sales and marketing			12 153	5,630	20,468	11,115
Technology and development			5,818	3,304	10,848	6,299
General and administrative			5,232	2,627	9,677	4,455
Total costs and expenses			26,467	14,274	47,607	26,398
Income from operations			1,298	1,571	2,991	707
Other income Additional Control of the Control of t			34	<u>5</u>	65	43
Net income			\$ 1,332	\$ 1,576	\$ 3,056	\$ 750
Net income attributable to common shareholders			\$ 1,332	\$ <u></u>	\$ 3,056	<u>s</u>
Net income per share attributable to common shareholder	s — basic		\$ 0.05	\$ —	\$ 0.11	\$ —
Net income per share attributable to common shareholder	s — diluted		\$ 0.04	s —	\$ 0.10	\$ —
Weighted-average shares outstanding — basic			28,946	13,940	28,647	13,645
Weighted-average shares outstanding — diluted			31,320	24,106	31,163	23,604
(1) Amortization of website development costs and intar	agible assets inclu	dad in taabmalaass				
and development is as follows:	ngiore assets inclu	ued in technology	\$ 2,374	\$ 1,234	\$ 4,378	\$ 2,457

See accompanying notes to condensed financial statements.

ZILLOW, INC. CONDENSED STATEMENTS OF CASH FLOWS (in thousands, unaudited)

	Six Montl June	
	2012	2011
Operating activities Net income	\$ 3,056	\$ 750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,085	3,394
Share-based compensation expense	2,643	803
Loss on disposal of property and equipment	69	46
Bad debt expense	280	177
Deferred rent	900	84
Amortization (accretion) of bond premium (discount) Changes in operating assets and liabilities:	398	(3)
Accounts receivable	(2,397)	(1,501)
Prepaid expenses and other assets	1,464	(1,526)
Accounts payable	1,570	1,774
Accrued expenses	1,076	1,975
Deferred revenue	2,920	2,363
Net cash provided by operating activities	17.064	8,336
	17,00	0,550
Investing activities		
Proceeds from maturities of investments	_	5,250
Purchases of investments	(7.000)	(3,748)
Purchases of property and equipment	(5,898)	(3,235)
Purchases of intangible assets	(1,688)	(875)
Acquisitions, net of cash acquired of \$2,029 in 2012 and \$0 in 2011	(36,405)	(1,000)
Net cash used in investing activities	(43,991)	(3,608)
Financing activities		
Proceeds from exercise of Class A common stock options	4,793	1,009
Payments for deferred offering costs		(1,854)
Net cash provided by (used) in financing activities	4,793	(845)
Net increase (decrease) in cash and cash equivalents during period	(22,134)	3,883
Cash and cash equivalents at beginning of period	47,926	12,278
Cash and cash equivalents at end of period	\$ 25,792	\$16,161
Supplemental disclosures of cash flow information Noncash transactions:		
Capitalized share-based compensation	\$ 1,081	\$ 222
Deferred offering costs not yet paid	\$. —	\$ 1,194
Class A common stock issued in connection with an acquisition	\$ —	\$ 910

See accompanying notes to condensed financial statements.

ZILLOW, INC. NOTES TO CONDENSED FINANCIAL STATEMENTS (unaudited)

Note 1. Organization and Description of Business

Zillow, Inc. was incorporated as a Washington corporation effective December 13, 2004. We operate a real estate information marketplace dedicated to providing vital information about homes, real estate listings and mortgages and enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals.

Certain Significant Risks and Uncertainties

We operate in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, we believe that changes in any of the following areas could have a significant negative effect on us in terms of our future financial position, results of operations or cash flows: rates of revenue growth; engagement and usage of our products; scaling and adaptation of existing technology and network infrastructure; competition in our market; management of our growth; acquisitions and investments; qualified employees and key personnel; protection of our brand and intellectual property; changes in government regulation affecting our business; intellectual property infringement and other claims; protection of customers' information and privacy concerns; and security measures related to our websites, among other things.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed financial statements should be read in conjunction with the audited financial statements and accompanying notes as of and for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 2, 2012. The condensed balance sheet as of December 31, 2011, included herein, was derived from the audited financial statements as of that date.

The unaudited condensed interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2012, our results of operations for the three and six month periods ended June 30, 2012 and 2011, and our cash flows for the six months ended June 30, 2012 and 2011. The results of the three and six month periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the year ended December 31, 2012 or for any other interim period or for any other future year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates are used for revenue recognition, the allowance for doubtful accounts, website development costs, goodwill, recoverability of intangible assets with definite lives and other long-lived assets and for share-based compensation. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected.

Recently Issued Accounting Standards

In May 2011, the FASB amended existing rules covering fair value measurement and disclosure to clarify guidance and minimize differences between GAAP and International Financial Reporting Standards ("IFRS"). The guidance requires entities to provide information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and provide a narrative description of the sensitivity of Level 3 measurements to changes in unobservable inputs. The guidance is effective during interim and annual periods beginning after December 15, 2011. We adopted this guidance on January 1, 2012. The adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued guidance on the presentation of comprehensive income to increase the prominence of other comprehensive income in the financial statements. An entity has the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011, with earlier adoption permitted, and must be applied retrospectively. We adopted this guidance on January 1, 2012. The adoption of this guidance did not have any impact on our financial position, results of operations or cash flows as we do not have any items of other comprehensive income in any period presented and therefore we are not required to report other comprehensive income or comprehensive income.

In September 2011, the FASB issued guidance on testing goodwill for impairment to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for fiscal years beginning after December 15, 2011, with earlier application permitted. We early adopted this guidance for our annual goodwill impairment test performed in our fourth quarter of 2011. The early adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

Note 3. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Assets and liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

We applied the following methods and assumptions in estimating our fair value measurements:

Cash equivalents — Cash equivalents are comprised of highly liquid investments, including money market funds and certificates of deposit, with original maturities of less than three months. The fair value measurement of these assets is based on quoted market prices in active markets and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 1 in the fair value hierarchy.

Short-term and long-term investments — Our investments consist of fixed income U.S. government agency securities. The fair value measurement of these assets is based on observable market-based inputs or inputs that are derived principally from or corroborated by observable market data by correlation or other means, and therefore is classified as Level 1 in the fair value hierarchy. Our government agency securities are classified as held-to-maturity and are recorded at amortized cost, as we do not intend to sell the investments, and it is not more likely than not that we will be required to sell these investments prior to maturity. The amortized cost of our government agency securities approximates their fair value.

The following table presents the balances of assets measured at fair value on a recurring basis as of the dates presented (in thousands), all of which are classified as Level 1 in the fair value hierarchy:

		Dec	cember 31,
Cash equivalents:	June 30, 2012		2011
Money market funds Certificates of deposit	\$22,740	\$	24,201 20,000
Short-term investments: Fixed income government agency securities			28,925
Long-term investments: Fixed income government agency securities			15,285
Total	\$66,550	\$	88,411

We did not have any Level 2 or Level 3 assets or liabilities measured at fair value on a recurring basis as of June 30, 2012 or December 31, 2011.

Note 4. Accounts Receivable, net

The following table presents the detail of accounts receivable as of the dates presented (in thousands):

	June 30,	December 31,
Accounts receivable Less: allowance for doubtful accounts Accounts receivable, net	(763)	\$ 6,321 (683) \$ 5,638

Note 5. Property and Equipment, net

The following table presents the detail of property and equipment as of the dates presented (in thousands):

		I	ecember 31,
	June 30, 2012	_	2011
Computer equipment	\$ 10,146	\$	9,265
Website development costs	27.958		23,410
Leasehold improvements	638		519
Software	1,498		1,367
Construction-in-progress	2,345		1,629
Office equipment, furniture and fixtures	1,608		1,051
Property and equipment	44,193	·	37,241
Less: accumulated amortization and depreciation	(33,528)		(30,014)
Property and equipment, net	\$ 10,665	<u>\$</u>	7,227

We recorded amortization and depreciation expense related to property and equipment other than website development costs of \$0.4 million and \$0.6 million, respectively, during the three months ended June 30, 2012 and 2011, and \$0.7 million and \$0.9 million, respectively, during the six months ended June 30, 2012 and 2011.

We capitalized \$3.1 million and \$1.4 million, respectively, in website development costs during the three months ended June 30, 2012 and 2011, and \$5.3 million and \$2.5 million, respectively, during the six months ended June 30, 2012 and 2011. Amortization expense for website development costs included in technology and development expenses was \$1.6 million and \$0.9 million, respectively, during the three months ended June 30, 2012 and 2011, and \$2.8 million and \$1.9 million, respectively, during the six months ended June 30, 2012 and 2011.

Construction-in-progress primarily consists of website development costs that are capitalizable, but for which the associated applications had not been placed in service.

Note 6. Acquisition

RentJuice Corporation

On May 31, 2012, Zillow, through its wholly owned subsidiary, Renegade Acquisition, Inc., a Delaware corporation ("Merger Sub"), consummated its acquisition of RentJuice Corporation, a Delaware corporation ("RentJuice"), pursuant to an Agreement and Plan of Merger (the "Merger Agreement") by and among Zillow, RentJuice, Merger Sub and Shareholder Representative Services LLC, acting as the stockholder representative, dated May 2, 2012. Under the terms and subject to the conditions of the Merger Agreement, Merger Sub merged with and into RentJuice with RentJuice remaining as the surviving company and a wholly owned subsidiary of Zillow (the "Merger"). On August 7, 2012, RentJuice was merged with and into Zillow, with Zillow remaining as the surviving entity. RentJuice provides rental relationship management software for landlords, property managers and rental brokers.

All vested options to purchase shares of RentJuice's common stock were cancelled and, in exchange for such cancellation, the holders of such options received cash payments representing a portion of the Merger consideration as described in the Merger Agreement. In addition, Zillow substituted unvested stock options of RentJuice outstanding as of the Merger closing and held by individuals who accepted employment or service with Zillow for stock options to purchase shares of Zillow's Class A common stock at an exchange ratio implied by the Merger consideration as described in the Merger Agreement. In connection with the closing, approximately \$4.0 million of the purchase price otherwise payable to RentJuice stockholders and holders of vested stock options has been deposited in a third-party escrow account to secure certain indemnification obligations of those equity holders.

Pursuant to the terms of the Merger Agreement, Zillow established a retention bonus plan pursuant to which restricted stock units for 280,961 shares of Zillow's Class A common stock were granted on July 26, 2012, to employees of RentJuice who accepted

employment with Zillow in proportion to each employee's total equity holdings in RentJuice prior to the closing of the Merger. Twenty-five percent of each restricted stock unit award will vest on May 31, 2013, and the remainder will vest in substantially equal installments each three-month period thereafter for three years, subject to the recipient's continued full-time employment or service to Zillow. In the event of termination of service by Zillow of the founders of RentJuice without cause, resignation by the founders of RentJuice for good reason or upon death or disability, any unvested units will become vested units, and the founders of RentJuice will be entitled to receive one share of Zillow's Class A common stock for each then outstanding unit.

Zillow's acquisition of RentJuice has been accounted for as a business combination, and assets acquired and liabilities assumed were recorded at their estimated fair values as of May 31, 2012. Goodwill, which represents the expected synergies from combining the acquired assets and the operations of the acquirer, as well as intangible assets that do not qualify for separate recognition, is measured as of the acquisition date as the excess of consideration transferred, which is also generally measured at fair value, and the net of the acquisition date fair values of the assets acquired and the liabilities assumed. The purchase price is \$38.4 million reflecting the cash amount paid for the outstanding stock of RentJuice, the payment by Zillow of certain transaction costs and expenses incurred by RentJuice, and the cash payments for the cancellation of all vested options to purchase shares of RentJuice's common stock, as summarized in the following table (in thousands):

Cash paid for the outstanding stock of RentJuice	\$37,269
Cash payments for the cancellation of vested options to purchase shares of	
RentJuice's common stock	486
Certain transaction expenses and other costs incurred by RentJuice	679
Total purchase price	\$38,434

The fair value of the RentJuice unvested stock options substituted and the restricted stock units issued in connection with the retention bonus plan relates to post-combination services and will be recorded as share-based compensation expense over the related vesting periods.

Intangible assets acquired consisted of the following (in thousands):

	Estimated Amortization
	Period (in years)
Developed technology \$4,000	7
Customer relationships 500	3
Trademarks 500	5 to 1 to 1 to 2 to 3
Total intangible assets acquired \$5,000	

The estimated fair value of the intangible assets acquired was determined based on a third-party valuation. We used an income approach to measure the fair value of the developed technology based on the multi-period excess earnings method, whereby the fair value is estimated based upon the present value of cash flows that the applicable asset is expected to generate. We used a cost approach to measure the fair value of the customer relationships based on the estimated cost to reacquire the customers. We used an income approach to measure the fair value of the trademarks based on the relief-from-royalty method. These fair value measurements were based on Level 3 measurements under the fair value hierarchy.

Net tangible assets were valued at their respective carrying amounts, as we believe that these amounts approximate their current fair values.

The total purchase consideration has been allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the acquisition date. Based upon a valuation, the total purchase price was allocated as follows (in thousands):

Cash Other identifiable tangible assets		\$ 2,029 97
Total tangible assets		2,126
Accounts payable		(116)
Accrued expenses and other current liabiliti Accrued compensation and benefits	es a la l	(139) (178)
Other identifiable liabilities		(15)
Total liabilities		(448)
Net acquired tangible assets		1,678
Identifiable intangible assets Goodwill		5,000
		31,756
Total purchase price allocation		<u>\$38,434</u>

We also acquired net deferred tax assets of \$0.4 million for RentJuice, and we have established a full valuation allowance against the acquired net deferred tax assets.

Acquisition-related expenses incurred, including legal and accounting fees and other external costs directly related to the acquisition, were expensed as incurred. Acquisition-related expenses of \$0.7 million for the three and six months ended June 30, 2012 are included in general and administrative expenses.

The results of operations related to the acquisition of RentJuice have been included in our financial statements since the date of acquisition of May 31, 2012. However, disclosure of the amounts of revenue and earnings of the acquiree since the acquisition date is impracticable because discrete financial information is not available as we have one operating segment.

The following pro forma condensed combined financial information gives effect to the acquisition of RentJuice as if it were consummated on January 1, 2011 (the beginning of the comparable prior reporting period), and includes pro forma adjustments related to the amortization of acquired intangible assets, share-based compensation expense and direct and incremental transaction costs reflected in the historical financial statements. The pro forma condensed combined financial information is presented for informational purposes only. The pro forma condensed combined financial information is not intended to represent or be indicative of the results of operations that would have been reported had the acquisition occurred on January 1, 2011 and should not be taken as representative of future results of operations of the combined company.

The following table presents the pro forma condensed combined financial information (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	\$27,900	\$15,912	\$50,872	\$27,252
Net income (loss) attributable to common shareholders	\$ 327	\$ (150)	\$ 118	\$ (2,433)
Net income (loss) per share attributable to common shareholders — basic	\$ 0.01	\$ (0.01)	\$ —	\$ (0.18)
Net income (loss) per share attributable to common shareholders — diluted	\$ 0.01	\$ (0.01)	\$	\$ (0.18)

Note 7. Goodwill

The following table presents the change in goodwill from December 31, 2011 through June 30, 2012 (in thousands):

Balance as of December 31, 2011	\$ 3,676
Goodwill recorded in connection with the acquisition of RentJuice	31,756
Balance as of June 30, 2012	\$35,432

None of the goodwill recorded in connection with the acquisition of RentJuice is deductible for tax purposes. All of the goodwill recorded as of December 31, 2011 is deductible for tax purposes.

Note 8. Intangible Assets

The following table presents the detail of intangible assets subject to amortization as of the dates presented (in thousands):

	Dec	cember 31,
June 30, 2012		2011
Purchased content \$ 6,659	\$	5,150
Developed technology 6,635		2,635
Customer relationships 1,224		724
Trademarks 961		461
Intangible assets 15,479		8,970
Less: accumulated amortization (5,824)		(4,438)
Intangible assets, net § 9,655	\$	4,532

Amortization expense recorded for intangible assets for the three months ended June 30, 2012 and 2011 was \$0.8 million and \$0.3 million, respectively. Amortization expense recorded for intangible assets for the six months ended June 30, 2012 and 2011 was \$1.6 million and \$0.6 million, respectively. These amounts are included in technology and development expenses.

The following table presents the detail of estimated amortization expense in future periods for intangible assets subject to amortization (in thousands):

Remainder of 2012	\$	
2013 2014 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		5,758 5,679
2015 2016。中心 (1975年 中) 中(1975年 中) (1975年 中) (5,538 5,175
All future years	_	3,971
Total future estimated amortization expense	\$	28,340

Note 9. Income Taxes

We are subject to federal and state income taxes in the United States. During the six months ended June 30, 2012 and 2011, we did not have taxable income and, therefore, no tax liability or expense has been recorded in the financial statements. We have accumulated tax losses of approximately \$68.6 million as of December 31, 2011, which are available to reduce future taxable income.

At June 30, 2012, we established a valuation allowance of \$0.4 million related to the net deferred tax assets of RentJuice, which we acquired on May 31, 2012.

Note 10. Shareholders' Equity

Common Stock

Upon the effectiveness of our registration statement on Form S-1 (File No. 333-173570) on July 19, 2011, all of the outstanding shares of convertible preferred stock and all of the outstanding shares of Class C common stock automatically converted into 9,276,190 and 2,305,980 shares of Class A common stock, respectively. Our Class A common stock has no preferences or privileges and is not redeemable. Holders of Class A common stock are entitled to one vote for each share.

Our Class B common stock has no preferences or privileges and is not redeemable. At any time after the date of issuance, each share of Class B common stock, at the option of the holder, shall be converted into one share of Class A common stock, or automatically converted upon the affirmative vote by or written consent of holders of a majority of the shares of the Class B common stock. During the three and six months ended June 30, 2012, 362,100 and 1,187,287 shares, respectively, of Class B common stock were converted into Class A common stock at the option of the holders. Holders of Class B common stock are entitled to 10 votes for each share.

Note 11. Share-Based Awards

On July 19, 2011, our 2011 Incentive Plan (the "2011 Plan") became effective and was subsequently amended and restated effective as of June 1, 2012, to, among other things, increase the total number of authorized shares and include material terms of performance goals for performance-based awards. The 2011 Plan is administered by the compensation committee of the board of directors. Under the terms of the 2011 Plan, the compensation committee of the board of directors may grant equity awards, including incentive stock options, nonqualified stock options, restricted stock or restricted stock units, to employees, officers, directors,

consultants, agents, advisors and independent contractors. After the effective date of the 2011 Plan, all equity awards have been granted under the 2011 Plan. On June 13, 2012, we filed a registration statement on Form S-8 under the Securities Act of 1933, as amended (the "Securities Act"), to register an additional 53,231 shares of Class A common stock available for future issuance upon exercise of outstanding options substituted by us for options originally granted by RentJuice, an additional 1,000,000 shares of Class A common stock pursuant to a share increase under the 2011 Plan approved by our shareholders on June 1, 2012, and an additional 10,500,000 shares of Class A common pursuant to the automatic annual share increase under the 2011 Plan that first becomes effective January 1, 2013.

Stock Options

All stock options outstanding at June 30, 2012 are nonqualified stock options. Options under the 2011 Plan are granted with an exercise price per share not less than 100% of the fair market value of our Class A common stock on the date of grant, and are exercisable at such times and under such conditions as determined by the compensation committee. Under the 2011 Plan, the maximum term of an award is ten years from the date of grant. Any portion of an award that is not vested and exercisable on the date of a participant's termination of service expires on such date. Employees generally forfeit their rights to exercise vested awards after 3 months or 12 months following their termination of employment, depending on the reason for the termination. Awards granted under the 2011 Plan are typically granted with seven-year terms and typically vest 25% after 12 months and ratably thereafter over the next 36 months, except for awards granted under the Stock Option Grant Program for Nonemployee Directors ("Nonemployee Director Awards"), which are fully vested and exercisable on the grant date.

The following table summarizes stock option activity for the year ended December 31, 2011 and the six months ended June 30, 2012:

	Options Available for Grant	Number of Shares Subject to Existing Options	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	1,021,571	5,010,310	\$ 4.03	4.48	\$ 3,843,806
Authorized increase in plan shares	1,477,514		_		
Granted	(1,688,636)	1,688,636	10.25		
Exercised		(1,169,115)	2.50		
Forfeited or cancelled	168,575	(168,575)	7.05		
Outstanding at December 31, 2011	979,024	5,361,256	6.23	4.51	89,749,207
Authorized increase in plan shares	1,053,231	wai wi <mark>lli</mark> il	-		
Granted	(1,064,525)	1,064,525	29.87		
Exercised		(1,091,849)	4.39		
Forfeited or cancelled	42,416	(42,416)	20.76		
Outstanding at June 30, 2012	1,010,146	5,291,516	11.25	4.90	144,959,321
Vested and exercisable at June 30, 2012		2,240,644	5.73	3.64	73,722,141

The fair value of options granted, excluding Nonemployee Director Awards, is estimated at the date of grant using the Black-Scholes-Merton option-pricing model, assuming no dividends and with the following assumptions for the periods presented:

	Three Months Ended June 30,			nths Ended ne 30,
	2012	2011	2012	2011
Expected volatility	52%	52%	52%	52%
Expected dividend yields				_
Risk-free interest rate	0.59%-0.71%	6 1.46%-1.73%	0.59%-0.91%	1.46%-2.00%
Weighted-average expected life	4.58 years	4.58 years	4.58 years	4.58 years
Weighted-average fair value of options granted	\$19.65	\$3.28	\$14.45	\$2.29

In March 2012, stock options for 45,005 shares of our Class A common stock were granted as Nonemployee Director Awards. The fair value of options granted for the Nonemployee Director Awards, \$11.52 per share, is estimated at the date of grant using the Black-Scholes-Merton option-pricing model, assuming no dividends, and expected volatility of 51%, a risk-free interest rate of 0.43%, and a weighted-average expected life of 3.5 years. During the three and six months ended June 30, 2012, share-based compensation expense recognized in our statement of operations related to Nonemployee Director Awards was \$0 and \$0.5 million, respectively, and is included in general and administrative expenses.

Restricted Stock

In consideration for the acquisition of substantially all of the operating assets of Diverse Solutions, Inc. ("Diverse Solutions") under the terms of the asset purchase agreement, Zillow issued to Diverse Solutions 75,000 restricted shares of Zillow's Class A common stock effective on October 31, 2011. The grant date fair value of the restricted shares is approximately \$2.2 million. One-third of the restricted shares will vest and no longer be subject to forfeiture on the first anniversary of the vesting commencement date, which is October 31, 2012, subject to Justin LaJoie's (the controlling shareholder of Diverse Solutions) continued employment or service to Zillow until such date. The remaining shares will vest ratably over the twenty-four months following such first anniversary, subject to Mr. LaJoie's continued employment or service to Zillow. In the event of Mr. LaJoie's termination of service by Zillow without cause or by Mr. LaJoie for good reason, any unvested shares on the date of such termination will become vested and no longer subject to forfeiture.

The fair value of the restricted shares relates to post-combination services and will be recorded as share-based compensation expense over the vesting period. As of June 30, 2012, there was \$1.7 million of total unrecognized compensation cost related to the restricted shares.

Share-Based Compensation Expense

The following table presents the effects of share-based compensation in our statements of operations during the periods presented (in thousands):

		Three Months Ended Si			Six Months Ended June 30,	
		2012	2011	2012	2011	
Cost of revenue		\$ 92	\$ 46	\$ 177	\$ 87	
Sales and marketing		289	67	479	174	
Technology and development		498	90	808	176	
General and administrative		346	210	1,179	366	
Total		\$ 1,225	\$ 413	\$ 2,643	\$ 803	

Note 12. Net Income Per Share Attributable to Common Shareholders

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares (including Class A common stock, Class B common stock and Class C common stock) outstanding during the period. In the calculation of basic net income per share attributable to common shareholders, undistributed earnings are allocated assuming all earnings during the period were distributed. Net income is first allocated to the Series A, B and C convertible preferred shareholders, as the convertible preferred stock is a participating security and the preferred shareholders have contractual preferential rights to distributions. For the three and six months ended June 30, 2011, all income was allocated to Series A, B and C convertible preferred shareholders, and as a result, there is no income attributable to common shareholders.

Diluted net income per share attributable to common shareholders is computed by dividing net income by the weighted-average number of common shares (including Class A common stock, Class B common stock and Class C common stock) outstanding during the period and potentially dilutive Class A common stock equivalents, except in cases where the effect of the Class A common stock equivalent would be antidilutive. Potential Class A common stock equivalents consist of Class A common stock issuable upon exercise of stock options and Class A common stock underlying nonvested restricted stock using the treasury stock method, and for the three and six months ended June 30, 2011, include Class A common stock issued upon the automatic conversion of our Series A, Series B and Series C convertible preferred stock on July 19, 2011.

For the periods presented, the following Class A common stock equivalents were included in the computation of diluted net income per share attributable to common shareholders because they had a dilutive impact (in thousands):

	June 30,		June 30,	
	2012	2011	2012	2011
Series A, Series B and Series C convertible preferred stock		9,276	a In ie ia.	9,276
Class A common stock issuable upon exercise of stock options	2,324	890	2,459	682
Class A common stock underlying nonvested restricted stock	50		57	
Total Class A common stock equivalents	2,374	10,166	2,516	9,958

In the event of liquidation, dissolution, distribution of assets or winding-up of the Company, the holders of all classes of common stock have equal rights to receive all the assets of the Company after the rights of the holders of the preferred stock have been satisfied. We have not presented net income per share attributable to common shareholders under the two-class method for our Class A common stock, Class B common stock and Class C common stock because it would be the same for each class due to equal dividend and liquidation rights for each class.

Six Months Ended

Three Months Ended

Note 13. Commitments and Contingencies

Lease Commitments

We have various operating leases for office space and equipment. We moved into our current headquarters in Seattle, Washington in August 2011 under an operating lease for which we will be obligated to make escalating monthly lease payments beginning in December 2012 and continuing through November 2022. In June 2012, we entered into a lease amendment for our corporate headquarters in Seattle, Washington which increases the rentable area of the premises by 21,575 square feet. In April 2012, we entered into an operating lease in Irvine, California for 20,025 square feet under which we will be obligated to make escalating monthly lease payments beginning in the third quarter of 2012 and continuing over a period of ten years. We lease additional office space in San Francisco, California, Irvine, California, Chicago, Illinois and New York, New York.

The operating lease for our headquarters in Seattle, Washington, prior to August 2011 expires in February 2013. As a result of vacating the office space, during the year ended December 31, 2011 we recorded a facility exit charge for \$1.7 million related to costs that will continue to be incurred under the operating lease for the remaining term. As of June 30, 2012, there was \$0.9 million of accrued facility exit costs included in accrued expenses and other current liabilities. A summary of activity for the six months ended June 30, 2012 related to the facility exit charge accrual is as follows (in thousands):

Balance, beginning of the period	\$1,541
Charges and adjustments	88
Less: cash payments	(735)
Balance, end of period	\$ 894

Future minimum payments for all operating leases as of June 30, 2012 are as follows (in thousands):

Remainder of 2012		\$ 1,073
2013 2014		3,219
2015		3,161
	og av av til still fra fra fra fra fra	3,265
All future years		21,056
Total future minimum lea	ase payments	\$34,832

Rent expense for the three months ended June 30, 2012 and 2011 was \$0.6 million and \$0.5 million, respectively. Rent expense for the six months ended June 30, 2012 and 2011 was \$1.1 million and \$0.9 million, respectively.

Purchase Commitments

As of June 30, 2012, we had non-cancelable purchase commitments for content related to our mobile applications and websites totaling \$13.6 million. The amounts due for this content as of June 30, 2012 are as follows (in thousands):

Remainder of 2012	\$ 1,402
2013 2014 - Andrew Series (Septential Conference of the Septential Confere	2,988
2015	3,030 3,130
2016 - 3-25 (3-25) - 3-25 (3-25	2,238
All future years	<u>817</u>
Total future purchase commitments	<u>\$13,605</u>

Line of Credit and Letters of Credit

During March 2011, we entered into a loan and security agreement with a financial institution to establish a line of credit of \$4.0 million. In April 2012, we amended our loan and security agreement to increase our line of credit from \$4.0 million to \$25.0 million. The line of credit is secured by substantially all our assets, including our intellectual property, and provides us with flexibility for future potential financing needs. The revolving line of credit contains customary financial covenants, including the maintenance of a minimum adjusted quick ratio (calculated as (i) unrestricted cash plus net accounts receivable divided by (ii) current liabilities less the

sum of deferred revenue and any indebtedness owing from borrower to bank), measured on a monthly basis, of 1.50 to 1.00, and minimum Adjusted EBITDA, measured on a quarterly basis, of greater than or equal to negative \$5 million for each quarterly period through December 31, 2012 and greater than or equal to \$0 for each quarterly period thereafter. In addition, the revolving line of credit contains customary restrictions on our ability to, among other things, engage in certain mergers and acquisition transactions and create liens on assets. The revolving line of credit contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of certain covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events and material judgments. The occurrence of an event of default will increase the applicable rate of interest by five percentage points and could result in the acceleration of Zillow's obligations under the revolving line of credit. As of June 30, 2012, we were in compliance with all covenants, and there were no amounts outstanding under the line of credit. The line of credit is available through April 2016.

In March 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our Seattle, Washington corporate headquarters. We also have four outstanding letters of credit totaling \$0.6 million as of June 30, 2012, payable to the landlord of our prior headquarters office in Seattle, Washington, in the event we default on our lease, which expires in February 2013. The letters of credit are secured by our investments and are effective until 60 days after the expiration date of the lease.

Legal Proceedings

There have been no material developments in legal proceedings during the six months ended June 30, 2012. For a description of previously reported legal proceedings, refer to Part I, Item 3 (Legal Proceedings) of our Annual Report on Form 10-K for the year ended December 31, 2011.

From time to time, we are involved in litigation and claims that arise in the ordinary course of business. Although we cannot be certain of the outcome of any litigation and claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our financial position, results of operations or cash flow. This forward-looking statement is based on management's current understanding of the relevant law and facts, and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of arbitrators, judges and juries. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Note 14. Segment Information and Revenue

We have one reportable segment. Our reportable segment has been identified based on how our chief operating decision-maker manages our business, makes operating decisions and evaluates operating performance. The chief executive officer acts as the chief operating decision-maker and reviews financial and operational information on an entity-wide basis. We have one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components. Accordingly, we have determined that we have a single reporting segment and operating unit structure.

The chief executive officer reviews information about revenue categories for purposes of allocating resources and evaluating financial performance. The following table presents our revenue categories during the periods presented (in thousands):

	June 30,		June 30,	
	2012	2011	2012	2011
Marketplace revenue	\$19,623	\$ 9,723	\$36,216	\$16,604
Display revenue	8,142	6,122	14,382	10,501
to (Total 6) The will be extracted by the control of the party of the state of the control of the first of	\$27,765	\$15,845	\$50,598	\$27,105

Three Months Ended

Note 15. Subsequent Events

Pursuant to the terms of the Merger Agreement entered into between RentJuice, Zillow and certain other parties, Zillow adopted a retention bonus plan in connection with the closing of the Merger pursuant to which restricted stock units for 280,961 shares of our Class A common stock were granted on July 26, 2012 to former employees of RentJuice who accepted employment with Zillow in proportion to each employee's total equity holdings in RentJuice prior to the closing of the Merger. The grant date fair value of the restricted shares is approximately \$11.2 million. Twenty-five percent of each restricted stock unit award will vest on May 31, 2013, and the remainder will vest in substantially equal installments each three-month period thereafter for three years, subject to the recipient's continued full-time employment or service to Zillow. In the event of termination of service by Zillow of the founders of RentJuice without cause, resignation by the founders of RentJuice for good reason or upon death or disability, any unvested units will become vested units, and the founders of RentJuice will be entitled to receive one share of Zillow's Class A common stock for each then outstanding unit.

Six Months Ended

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, including in the sections titled "Note Regarding Forward-Looking Statements" and Part II, Item 1A (Risk Factors), and also those items listed in Part 1, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2011.

Overview

We are the leading real estate information marketplace. In addition to Zillow.com, we also operate Zillow Mobile, our suite of mobile real estate applications, and Zillow Mortgage Marketplace, where borrowers connect with lenders to find loans and get the competitive mortgage rates.

Zillow provides information about homes, real estate listings and mortgages through our mobile applications and websites, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs.

Our living database of more than 100 million U.S. homes — homes for sale, homes for rent and homes not currently on the market — attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 32 million homes and added more than 95 million home photos, creating exclusive home profiles available nowhere else. These profiles include detailed information about homes, including property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it through our industry-leading mobile applications and websites that enable consumers to access our information when they are curbside viewing homes. Using industry-leading automated valuation models, we provide current home value estimates, or Zestimates, and current rental price estimates, or Rent Zestimates, on approximately 100 million U.S. homes.

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue includes marketplace revenue, consisting of subscriptions sold to real estate agents and advertising sold on a cost per click, or CPC, basis to mortgage lenders, and display revenue consisting of advertising placements sold primarily on a cost per thousand impressions, or CPM, basis.

During the three months ended June 30, 2012, we generated revenue of \$27.8 million, as compared to \$15.8 million in the three months ended June 30, 2011, an increase of 75%. We believe this increase is primarily the result of the 70% increase in our Premier Agent subscribers to 22,696 as of June 30, 2012 from 13,385 as of June 30, 2011, as well as significant growth in traffic to our mobile applications and websites. There were approximately 33.5 million average monthly unique users of our mobile applications and websites for the three months ended June 30, 2012 compared to 20.8 million average monthly unique users for the three months ended June 30, 2011, representing year-over-year growth of 61%.

In May 2012, we completed the acquisition of RentJuice Corporation ("RentJuice"), which provides rental relationship software for landlords, property managers and rental brokers. The total purchase price for the acquisition of RentJuice is approximately \$38.4 million. In addition, we have adopted a retention bonus plan pursuant to which restricted stock units for 280,961 shares of our Class A common stock were granted on July 26, 2012 to former employees of RentJuice who accepted employment with Zillow. In the event of termination of service by Zillow of the founders of RentJuice without cause, resignation by the founders of RentJuice for good reason or upon death or disability, any unvested units will become vested units, and the founders of RentJuice will be entitled to receive one share of Zillow's Class A common stock for each then outstanding unit. Based on the allocation of the purchase price in connection with our acquisition of RentJuice, a substantial majority of the purchase price has been allocated to goodwill. We do not expect that the acquisition of RentJuice will result in a meaningful contribution to revenue in the near term. Further, we plan to invest in the RentJuice platform in the near term, which we expect will result in an increase in operating expenses, particularly for sales and marketing, technology and development and general and administrative expenses.

As of June 30, 2012, we had 443 full-time employees, compared to 329 full-time employees as of December 31, 2011.

Key Growth Drivers

To analyze our business performance, determine financial forecasts and help develop long-term strategic plans, we frequently review the following key growth drivers:

Unique Users

Measuring unique users is important to us because our marketplace revenue depends in part on our ability to enable our users to connect with real estate and mortgage professionals, and our display revenue depends in part on the number of impressions delivered. Furthermore, our community of users improves the quality of our living database of homes with their contributions. We count a unique user the first time an individual accesses our mobile applications using a mobile device during a calendar month, and the first time an individual accesses one of our websites using a web browser during a calendar month. If an individual accesses our mobile applications using different mobile devices within a given month, the first instance of access by each such mobile device is counted as a separate unique user. If an individual accesses our websites using different web browsers within a given month, the first access by each such web browser is counted as a separate unique user. If an individual accesses more than one of our websites in a single month, the first access to each website is counted as a separate unique user since unique users are tracked separately for each domain. Beginning in October 2011, we measure unique users with Google Analytics. Prior to October 2011, we measured monthly unique user metrics with Omniture analytical tools. We believe Google Analytics and Omniture result in materially consistent measurements of our monthly unique users. Beginning in June 2012, the reported monthly unique users reflect the effect of Zillow's May 31, 2012 acquisition of RentJuice.

	Average Monthly Unique Users for the Three Months Ended June 30,		2011 to 2012	
	2012	2011	% Change	
	(in tho	usands)		
Unique Users	33,474	20,758	61%	

Premier Agent Subscribers

The number of Premier Agent subscribers is an important driver of revenue growth because each subscribing agent pays us a monthly fee to participate in the program. We define a Premier Agent subscriber as an agent with a paid subscription at the end of a period.

	At June 30,		2011 to 2012
	2012	2011	% Change
Premier Agent Subscribers	22,696	13,385	70%

Basis of Presentation

Revenue

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue includes marketplace revenue and display revenue.

Marketplace Revenue. Marketplace revenue consists of subscriptions sold to real estate agents under our Premier Agent program and CPC advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders.

Our Premier Agent program allows local real estate agents to establish a persistent mobile and online presence on Zillow in the zip codes they serve. We present contact information for each Premier Agent alongside home profiles and home listings within the agent's zip code, assisting consumers in evaluating and selecting the real estate agent best suited for them. Pricing for our Premier Agent subscriptions varies by zip code and the tier level of participation, Platinum Premier, Gold Premier and Silver Premier. Subscription advertising revenue is recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts are six months. Growth in our subscription advertising product is based on our ability to continue to attract agent subscribers and drive consumer traffic to those agents through our mobile applications and our websites.

Since the launch of our Premier Agent subscription product, we have historically charged for this product based upon a percentage of the total Platinum Premier Agent views in the zip code rather than the number of impressions actually delivered. In the first half of 2012, we began testing sales of our Platinum Premier Agent subscription product based upon charging for the number of impressions delivered in zip codes purchased. We began testing this impression-based sales model for our Platinum Premier Agent product to better align our revenue opportunities with increasing traffic levels to our mobile and web platforms and increasing demand by real estate agents for access to our home shoppers. We continue to evaluate the method of charging based upon impressions purchased and delivered, up to a maximum number per month, and expect in the future to apply this method more broadly to our existing subscriber base. In our history of building our real estate and other marketplaces and product offerings, we have continually evaluated and utilized various pricing and value delivery strategies in order to increase access to our inventory and align our revenue opportunities with the growth in usage of our mobile and web platforms.

In Zillow Mortgage Marketplace, participating qualified mortgage lenders make a prepayment to gain access to consumers interested in connecting with mortgage professionals. Consumers who request rates for mortgage loans in Zillow Mortgage Marketplace are presented with personalized lender quotes from participating lenders. We only charge mortgage lenders a fee when users click on their links for more information regarding a mortgage loan quote. Mortgage lenders who exhaust their initial prepayment can then prepay additional funds to continue to participate in the marketplace.

Display Revenue. Display revenue primarily consists of graphical mobile and web advertising sold on a CPM basis to advertisers primarily in the real estate industry, including real estate brokerages, home builders, mortgage lenders and home services providers. Our advertising customers also include telecommunications, automotive, insurance and consumer products companies. We recognize display revenue as impressions are delivered to users interacting with our mobile applications or websites. Growth in display revenue depends on continuing growth in traffic to our mobile applications and websites and migration of advertising spend online from traditional broadcast and print media.

Costs and Expenses

Cost of Revenue. Our cost of revenue consists of expenses related to operating our mobile applications and websites, including associated headcount expenses, such as salaries and benefits and share-based compensation expense and bonuses. Cost of revenue also includes credit card fees, ad serving costs paid to third parties, revenue-sharing costs related to our commercial business relationships and facilities costs allocated on a headcount basis.

Sales and Marketing. Sales and marketing expenses consist of headcount expenses, including salaries, commissions, benefits, share-based compensation expense and bonuses for sales, sales support, customer support, marketing and public relations employees. Sales and marketing expenses also include advertising and other sales expenses related to promotional and marketing activities and facilities costs allocated on a headcount basis.

Technology and Development. Technology and development expenses consist of headcount expenses, including salaries and benefits, share-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development and testing of our mobile applications and websites, equipment and maintenance costs and facilities costs allocated on a headcount basis. Technology and development expenses also include amortization costs related to capitalized website and development activities, amortization of certain intangibles and other data agreement costs related to the purchase of data used to populate our mobile applications and websites, and amortization of intangible assets recorded in connection with acquisitions.

General and Administrative. General and administrative expenses consist of headcount expenses, including salaries, benefits, share-based compensation expense and bonuses for executive, finance, accounting, legal, human resources, recruiting and administrative support. General and administrative expenses also include legal, accounting and other third-party professional service fees, bad debt expense and facilities costs allocated on a headcount basis.

Other Income

Other income consists primarily of interest income earned on our cash and cash equivalents and investments.

Income Taxes

We are subject to U.S. federal and state income taxes. For the six months ended June 30, 2012, we did not have taxable income, and we are not projecting taxable income for the year ending December 31, 2012 and, therefore, no tax liability or expense has been recorded in the financial statements. We have provided a full valuation allowance against our net deferred tax assets as of June 30, 2012 and December 31, 2011, because there is significant uncertainty around our ability to realize the deferred tax assets in the future. We have accumulated tax losses of approximately \$68.6 million as of December 31, 2011, which are available to reduce current future taxable income.

At June 30, 2012, we established a valuation allowance of \$0.4 million related to the net deferred tax assets of RentJuice, which we acquired on May 31, 2012.

Results of Operations

The following tables present our results of operations for the periods indicated and as a percentage of total revenue:

	Three Mor June		Six Mont June	
	2012	2011	2012	2011
CARLESTALIA DE ANTIDEZA DE PARTE DE ANTIDEZA DE LA CARLESTA DEL CARLESTA DE LA CARLESTA DE LA CARLESTA DEL CARLESTA DE LA CARL	(in thou	sands, except per	share data, una	audited)
Statements of Operations Data:	PO7 765	¢15.045	Φ 5 Ω 5 ΩΩ	#27.10 <i>5</i>
Revenue	\$27,765	\$15,845	\$50,598	\$27,105
Costs and expenses:	2.264	0.712	6.614	4.520
Cost of revenue (exclusive of amortization) (1) (2)	3,264	2,713	6,614	4,529
Sales and marketing (1)	12,153	5,630	20,468	11,115
Technology and development (1)	5,818	3,304	10,848	6,299
General and administrative (1)	5,232	2,627	9,677	4,455
Total costs and expenses	26,467	14,274	47,607	26,398
Income from operations	1,298	1,571	2,991	707
Other income	34	5	65	43
Net income	\$ 1,332	<u>\$ 1,576</u>	\$ 3,056	\$ 750
Net income attributable to common shareholders	\$ 1,332	\$ —	\$ 3,056	\$ —
Net income per share attributable to common shareholders — basic	\$ 0.05	\$	\$ 0.11	s —
Net income per share attributable to common shareholders — diluted	\$ 0.04	\$ —	\$ 0.10	\$ —
Weighted-average shares outstanding — basic	28,946	13,940	28,647	13,645
Weighted-average shares outstanding — diluted	31,320	24,106	31,163	23,604
Other Financial Data:				
Adjusted EBITDA (3)	\$ 5,272	\$ 3,852	\$10,719	\$ 4,904
		Months Ended		iths Ended ne 30,
	2012	2011	ds, unaudited)	2011
(1) Includes share-based compensation as follows:		(III tilousan	us, unauditeu)	
Cost of revenue	\$ 92	\$ 46	\$ 177	\$ 87
Sales and marketing	289		479	174
Technology and development	498		808	176
General and administrative	346		1,179	366
Total	\$ 1,225		\$2,643	\$ 803
(2) Amortization of website development costs and intangible assets included in				
technology and development is as follows:	\$ 2,374	\$ 1,234	\$4,378	\$2,457

⁽³⁾ See "Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

	Three Months Ended June 30,		Six Months June 3	
	2012	2011	2012	2011
Percentage of Revenue:	e ne sajas geres	(unaudite	d)	. —
Revenue	100%	100%	100%	100%
Costs and expenses:			100/0	100/0
Cost of revenue (exclusive of amortization)	12	17	13	17
Sales and marketing	44	36	40	41
Technology and development	21	21	21	23
General and administrative	19	17	19	16
Total costs and expenses	95	90	94	97
Income from operations	5	10	6	3
Other income	0	0	Õ	0
Net income for the section of the se	<u>5</u> %	10%	<u>6</u> %	3%

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA within this Quarterly Report on Form 10-Q, a non-GAAP financial measure. We have provided a reconciliation below of Adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key metric used by our management and board of directors to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- · Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- · Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in
 the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital
 expenditure requirements; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to net income for each of the periods presented:

	I hree Months Ended June 30,		Six Monti June		
	2012	2011	2012	2011	
- Van A Olfanon on Vivo		(in thousand:	s, unaudited)		
Reconciliation of Adjusted EBITDA to Net Income:					
Net income	\$ 1,332	\$ 1,576	\$ 3,056	\$ 750	
Other income	(34)	(5)	(65)	(43)	
Depreciation and amortization expense	2,749	1,868	5,085	3,394	
Share-based compensation expense	1,225	413	2,643	803	
Adjusted EBITDA	\$ 5,272	\$ 3,852	\$10,719	\$4,904	

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenue

	Six Months Ended June 30,		2011 to 2012
	2012	2011	% Change
	(in thousands	unaudited)	
Revenue:			
Marketplace revenue	\$ 36,216	\$ 16,604	118%
Display revenue	14,382	10,501	37%
Total	\$ 50,598	\$ 27,105	87%
		Six Months June 3	
		2012	2011
Percentage of Revenue:			
Marketplace revenue		72%	61%
Display revenue		28%	39%
Total		100%	100%

Overall revenue increased by \$23.5 million, or 87%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Marketplace revenue increased by 118%, and display revenue increased by 37%.

Marketplace revenue grew to \$36.2 million for the six months ended June 30, 2012 from \$16.6 million for the six months ended June 30, 2011, an increase of \$19.6 million. Marketplace revenue represented 72% of total revenue for the six months ended June 30, 2012 compared to 61% of total revenue for the six months ended June 30, 2011. The increase in marketplace revenue was primarily attributable to growth in the number of subscribers in our Premier Agent program to 22,696 as of June 30, 2012 from 13,385 as of June 30, 2011, representing growth of 70%, as well as an increase in the average subscription price for existing Premier Agents who renewed their subscriptions for additional sixmonth terms. We believe the increase in Premier Agent subscribers and the increase in the average subscription price in our Premier Agent program was driven by our further development of our marketplace program with the support of our sales team and the overall growth in the number of unique users of our mobile applications and websites.

Display revenue was \$14.4 million for the six months ended June 30, 2012 compared to \$10.5 million for the six months ended June 30, 2011, an increase of \$3.9 million. Display revenue represented 28% of total revenue for the six months ended June 30, 2012 compared to 39% of total revenue for the six months ended June 30, 2011. The increase in display revenue was primarily the result of an increase in the number of unique users to our mobile applications and websites which increased to 33.5 million average monthly unique users for the three months ended June 30, 2012 from 20.8 million average monthly unique users for the three months ended June 30, 2011, representing growth of 61%. The growth in unique users increased the number of graphical display impressions available for sale and advertiser demand for graphical display inventory. The increased number of graphical display impressions resulted in an increase in the total number of advertisers and in the average spend per advertiser as compared to the six months ended June 30, 2011.

Cost of Revenue

	Six Month: June		2011 to 2012
	2012	2011	% Change
	(in thousands,		
Cost of revenue	6,614	\$ 4,529	46%

Cost of revenue was \$6.6 million for the six months ended June 30, 2012 compared to \$4.5 million for the six months ended June 30, 2011, an increase of \$2.1 million, or 46%. The increase in cost of revenue was primarily attributable to increased revenue sharing costs related to our strategic relationship with Yahoo! Real Estate, which launched in February 2011, as well as a \$0.5 million increase in headcount related expenses, including share-based compensation, driven by growth in headcount, and a \$0.4 million increase in credit card and ad serving fees.

Sales and Marketing

		Six Months E June 30,		2011 to 2012
		112	2011	% Change
		ı thousands, un		
Sales and marketing	\$ 20	,468	\$ 11,115	84%

Sales and marketing expenses were \$20.5 million for the six months ended June 30, 2012 compared to \$11.1 million for the six months ended June 30, 2011, an increase of \$9.4 million, or 84%. The increase was primarily the result a of \$4.5 million increase in marketing and advertising expenses, including tradeshows and related travel costs, which support our growth initiatives and brand awareness, and growth in headcount related expenses of \$4.0 million, including share-based compensation, driven by increases in the size of our sales team to promote our marketplace business. The remaining increase of \$0.9 million was primarily the result of consulting costs to support our marketing and advertising spend.

Technology and Development

	Six Monti June		2011 to 2012
	2012	2011	% Change
	(in thousands		
Technology and development	\$ 10,848	\$ 6,299	72%

Technology and development expenses, which include research and development costs, were \$10.8 million for the six months ended June 30, 2012 compared to \$6.3 million for the six months ended June 30, 2011, an increase of \$4.5 million, or 72%. Approximately \$2.2 million of the increase was related to growth in headcount related expenses, including share-based compensation, as we continue to grow our engineering headcount to support current and future product initiatives, and approximately \$1.9 million of the increase was the result of amortization of intangible assets, including website development costs, purchased content and acquired intangible assets. The remaining increase of \$0.4 million was primarily the result of additional engineering consulting costs and other miscellaneous expenses.

Amortization expense included in technology and development for capitalized website development costs was \$2.8 million and \$1.9 million, respectively, for the six months ended June 30, 2012 and 2011. Amortization expense included in technology and development for purchased data content intangible assets was \$1.0 million and \$0.5 million, respectively, for the six months ended June 30, 2012 and 2011. Other data content expense was \$0.2 million and \$0.4 million, respectively, for the six months ended June 30, 2012 and 2011. Amortization expense included in technology and development related to intangible assets recorded in connection with acquisitions was \$0.6 million and \$0.1 million, respectively, for the six months ended June 30, 2012 and 2011.

General and Administrative

			June 30,	
		2012	2011	% Change
		(in thousands,		
General and administrative		\$ 9,677	\$ 4,455	117%

General and administrative expenses were \$9.7 million for the six months June 30, 2012 compared to \$4.5 million for the six months ended June 30, 2011, an increase of \$5.2 million, or 117%. The increase in general and administrative expenses was a result of an increase of \$2.0 million in headcount related expenses, including share-based compensation, driven primarily by growth in headcount, a \$0.9 million increase in professional services fees, including \$0.7 million of costs incurred in connection with our acquisition of RentJuice, a \$0.8 million increase in building related expenses including rent, utilities and insurance at our corporate headquarters in Seattle, a \$0.6 million fluctuation in state and local taxes, including a \$0.3 million tax credit received in 2011 relating to a refund of certain state and local taxes from 2006 to 2009, which resulted in less state and local tax expense during the six months ended June 30, 2011, and an increase of \$0.2 million in business and license fees. The remaining \$0.7 million increase in general and administrative expenses was the result of various other miscellaneous expenses including bad debt expense and employee travel costs.

Liquidity and Capital Resources

Prior to our initial public offering during July 2011, we funded our operations primarily from the issuance of common and preferred stock. Through 2007, we raised approximately \$81.0 million through various offerings of our convertible preferred stock and approximately \$5.9 million from the sale of our common stock.

On July 25, 2011, we sold and issued 3,981,300 shares of our Class A common stock, including 519,300 shares of Class A common stock pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$20.00 per share, and we sold and issued 274,999 shares of our Class A common stock at a price of \$20.00 per share in a concurrent private placement. As a

result of the offerings, we received net proceeds of approximately \$76.3 million, after deducting underwriting discounts and commissions of approximately \$5.6 million and additional offering-related expenses of \$3.3 million, for total expenses of \$8.9 million. The net offering proceeds have been invested into money market funds, certificates of deposit and U.S. treasury securities.

As of June 30, 2012 and December 31, 2011, we had cash and cash equivalents and short-term and long-term investments of \$69.6 million and \$92.1 million, respectively. Cash and cash equivalents balances consist of operating cash on deposit with financial institutions and money market funds. Short-term and long-term investments as of June 30, 2012 and December 31, 2011 consisted of U.S. government agency securities. Amounts on deposit with third-party financial institutions exceed the applicable Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insurance limits, as applicable. We believe that cash from operations and cash and cash equivalents and short-term and long-term investment balances will be sufficient to meet our ongoing operating activities, working capital, capital expenditures and other capital requirements for at least the next 12 months.

During March 2011, we entered into a loan and security agreement with a financial institution to establish a line of credit of \$4.0 million. In April 2012, we amended our loan and security agreement to increase our line of credit from \$4.0 million to \$25.0 million. The line of credit is secured by substantially all our assets, including our intellectual property, and provides us with flexibility for future potential financing needs. The revolving line of credit contains customary financial covenants, including the maintenance of a minimum adjusted quick ratio (calculated as (i) unrestricted cash plus net accounts receivable divided by (ii) current liabilities less the sum of deferred revenue and any indebtedness owing from borrower to bank), measured on a monthly basis, of 1.50 to 1.00, and minimum Adjusted EBITDA, measured on a quarterly basis, of greater than or equal to negative \$5 million for each quarterly period through December 31, 2012 and greater than or equal to \$0 for each quarterly period thereafter. In addition, the revolving line of credit contains customary restrictions on our ability to, among other things, engage in certain mergers and acquisition transactions and create liens on assets. The revolving line of credit contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of certain covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events and material judgments. The occurrence of an event of default will increase the applicable rate of interest by five percentage points and could result in the acceleration of Zillow's obligations under the revolving line of credit. As of June 30, 2012, we were in compliance with all covenants, and there were no amounts outstanding under the line of credit. The line of credit is available through April 2016.

In March 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our Seattle, Washington corporate headquarters. We also have four outstanding letters of credit totaling \$0.6 million as of June 30, 2012, payable to the landlord of our prior headquarters office in Seattle, Washington, in the event we default on our lease, which expires in February 2013. The letters of credit are secured by our investments and are effective until 60 days after the expiration date of the lease.

In May 2012, we completed the acquisition of RentJuice. The total purchase price for the acquisition of RentJuice is approximately \$38.4 million. In addition, we have adopted a retention bonus plan pursuant to which restricted stock units for 280,961 shares of our Class A common stock were granted on July 26, 2012 to former employees of RentJuice who accepted employment with Zillow. In the event of termination of service by Zillow of the founders of RentJuice without cause, resignation by the founders of RentJuice for good reason or upon death or disability, any unvested units will become vested units, and the founders of RentJuice will be entitled to receive one share of Zillow's Class A common stock for each then outstanding unit. Based on the allocation of the purchase price in connection with our acquisition of RentJuice, a substantial majority of the purchase price has been allocated to goodwill. We do not expect that the acquisition of RentJuice will result in a meaningful contribution to revenue in the near term. Further, we plan to invest in the RentJuice platform in the near term, which we expect will result in an increase in operating expenses, particularly for sales and marketing, technology and development and general and administrative expenses.

The following table presents selected cash flow data for the six months ended June 30, 2012 and 2011:

	Six Months June 3	
	2012	2011
	(in thousands,	unaudited)
Cash Flow Data:		
Cash flows provided by operating activities	\$ 17,064	\$ 8,336
Cash flows used in investing activities	(43,991)	(3,608)
Cash flows provided by (used in) financing activities	4,793	(845)

Cash Flows Provided By Operating Activities

For the six months ended June 30, 2012, net cash provided by operating activities was \$17.1 million. This was primarily driven by net income of \$3.1 million, adjusted by depreciation and amortization expense and share-based compensation expense of \$5.1 million and \$2.6 million, respectively, and an increase in the balance of deferred rent of \$0.9 million. Changes in operating assets and liabilities increased cash provided by operating activities by \$4.6 million.

Cash flows provided by operating activities of \$8.3 million for the six months ended June 30, 2011 was driven by net income of \$0.8 million, adjusted by depreciation and amortization expense and share-based compensation expense of \$3.4 million and \$0.8 million, respectively. Changes in operating assets and liabilities increased cash provided by operating activities for the six months ended June 30, 2011 by \$3.1 million.

Cash Flows Used In Investing Activities

Our primary investing activities include the purchase and maturity of investments, the purchase of property and equipment and intangible assets, and cash paid for acquisitions.

For the six months ended June 30, 2012, net cash used in investing activities was \$44.0 million. This was the result of \$7.6 million of purchases for property and equipment and intangible assets, and \$36.4 million paid in connection with the acquisition of RentJuice, net of cash acquired of \$2.0 million.

For the six months ended June 30, 2011, we used \$3.6 million of net cash in investing activities. This was the result of \$4.1 million of purchases for property and equipment and intangible assets and \$1.0 million paid in connection with our March 2011 acquisition of the operating assets of a real estate agent and rental property manager marketing service company, partially offset by \$1.5 million of net proceeds from maturities of short-term investments.

Cash Flows Provided By (Used In) Financing Activities

For the six months ended June 30, 2012, our financing activities resulted entirely from the exercise of employee non-qualified stock options. The proceeds from the issuance of Class A common stock from the exercise of stock options for the six months ended June 30, 2012 was \$4.8 million.

For the six months ended June 30, 2011, net cash used in financing activities was approximately \$0.8 million, which was primarily the result of approximately \$1.9 million in payments for deferred offering costs, partially offset by proceeds from the issuance of Class A common stock from the exercise of stock options of \$1.0 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2012.

Contractual Obligations

The following table provides a summary of our contractual obligations as of June 30, 2012:

	Payment Due By Period				
	•	Less Than			More Than
	Total	1 Year	1-3 Years (in thousands)	3-5 Years	5 Years
Operating lease obligations .	\$34,832	\$ 2,875	\$ 6,049	\$ 6,529	\$ 19,379
Purchase obligations	13,605	2,896	6,068	4,524	<u> </u>
Total Time of the problem of the second	\$48,437	\$ 5,771	\$12,117	\$11,053	\$ 19,496

We have various operating leases for office space and equipment. We have entered into an operating lease for our current headquarters in Seattle, Washington under which we will be obligated to make payments beginning in December 2012 through November 2022. In June 2012, we entered into a lease amendment for our corporate headquarters in Seattle, Washington which increases the rentable area of the premises by 21,575 square feet. Our prior headquarters in Seattle, Washington is under an operating lease expiring in February 2013. In April 2012, we entered into an operating lease in Irvine, California for 20,025 square feet under which we will be obligated to make escalating monthly lease payments beginning in the third quarter of 2012 and continuing over a period of ten years. We lease additional office space in San Francisco, California, Irvine, California, Chicago, Illinois and New York, New York. We also have purchase obligations for content related to our websites. We do not have any debt or capital lease obligations. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. For information on our critical accounting policies and estimates, see Part II, Item 7

(Management's Discussion and Analysis of Financial Condition and Results of Operations) of our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

We do not have any long-term borrowings as of June 30, 2012 or December 31, 2011.

Under our current investment policy, we invest our excess cash in money market funds, FDIC-insured certificates of deposits and U.S. Treasury securities. Our current investment policy seeks first to preserve principal, second to provide liquidity for our operating and capital needs and third to maximize yield without putting our principal at risk.

Our investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield or the fair value. As our investment portfolio is primarily short-term in nature, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our results of operations or cash flows to be materially affected by a sudden change in market interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of June 30, 2012. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective as of June 30, 2012.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments in legal proceedings during the quarter ended June 30, 2012. For a description of previously reported legal proceedings, refer to Part I, Item 3 (Legal Proceedings) of our Annual Report on Form 10-K for the year ended December 31, 2011

From time to time, we are involved in litigation and claims that arise in the ordinary course of business and although we cannot be certain of the outcome of any such litigation or claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, financial position, results of operations or cash flow. This forward-looking statement is based on management's current understanding of the relevant law and facts; and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of judges and juries. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. The following is an update to the risk factors affecting our business, financial condition or future results set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2011.

If real estate and mortgage professionals or other advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our business would be harmed.

Our current financial model depends on advertising revenue generated almost entirely through sales to real estate agents and brokerages, mortgage lenders and advertisers in categories relevant to real estate. Our ability to attract and retain advertisers, and ultimately to generate advertising revenue, depends on a number of factors, including:

- increasing the number of consumers of our products and services;
- competing effectively for advertising dollars with other online media companies;
- continuing to develop our advertising products and services, including the expansion of those products and services to new
 advertising customers;
- · keeping pace with changes in technology and with our competitors; and
- · offering an attractive return on investment to our advertisers for their advertising spending with us.

While real estate agents participating in our subscription-based Premier Agent program generally initially commit to contract terms of six months, we do not have long-term contracts with most of our other advertisers. Those advertisers could choose to modify or discontinue their relationships with us with little or no advance notice. In addition, as existing subscriptions for our Premier Agent program expire, we may not be successful in renewing these subscriptions, securing new subscriptions or increasing the amount of revenue we earn for a given subscription over time. We may not succeed in retaining existing advertisers' spending or capturing a greater share of such spend if we are unable to convince advertisers of the effectiveness or superiority of our products as compared to alternatives, including traditional offline advertising media such as television and newspapers. In addition, we have changed in the past, and expect in the future to make changes to, our pricing methodology for certain of our advertising services, and it is possible that such changes may cause advertisers to reduce their advertising with us or choose not to advertise with us. If current advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our advertising revenue and business, results of operations and financial condition would be harmed. In addition, if we do not realize the benefits we expect from strategic relationships we may enter into, including for example, the generation of additional advertising revenue opportunities, our business could be harmed.

If we do not innovate and provide products and services that are attractive to our users and to our advertisers, our business could be harmed.

Our success depends on our continued innovation to provide products and services that make our mobile applications and websites useful for consumers and real estate, rental and mortgage professionals and attractive to our advertisers. As a result, we must continually invest significant resources in research and development in order to improve the attractiveness and comprehensiveness of our products and services and effectively incorporate new mobile and Internet technologies into them. If we are unable to provide products and services that users, including real estate professionals, want to use, then users may become dissatisfied and use competitors' websites and mobile applications. If we are unable to continue offering innovative products and services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which could harm our business, results of operations and financial condition.

We may make acquisitions and investments, which could result in operating difficulties, dilution and other harmful consequences.

We continue to evaluate a wide array of potential strategic opportunities. For example, in May 2012, we acquired RentJuice Corporation, a provider of rental relationship management software for landlords, property managers and rental brokers. Any transactions that we enter into could be material to our financial condition and results of operations. The acquisitions may not result in the intended benefits to our business, and we may not successfully evaluate or utilize the acquired products, technology, or personnel, or accurately forecast the financial impact of an acquisition transaction. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. The areas where we face risks include:

- diversion of management time and focus from operating our business to acquisition integration challenges;
- · implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- retention of employees from the acquired company;
- liability for activities of the acquired company before the acquisition;
- litigation or other claims arising in connection with the acquired company;
- impairment charges associated with goodwill and other acquired intangible assets; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business, results of operations and financial condition.

We may be unable to increase awareness of the Zillow brand cost-effectively, which could harm our business.

We rely heavily on the Zillow brand, which we believe is a key asset of our company. Awareness and perceived quality and differentiation of the Zillow brand are important aspects of our efforts to attract and expand the number of consumers who use our mobile applications and websites. Should the competition for awareness and brand preference increase among providers of mobile or online real estate information, we may not be able to successfully maintain or enhance the strength of our brand. We expect to increase in the future our paid advertising, a form of advertising we have not used significantly in the past. The results of increased paid advertising may not be successful or cost-effective. If we are unable to maintain or enhance user and advertiser awareness of our brand cost-effectively, our business, results of operations and financial condition could be harmed.

We may be unable to maintain or establish relationships with real estate brokerages, real estate listing aggregators, multiple listing services, property management companies, home builders and other third-party listing providers, which could limit the information we are able to provide to our users.

Our ability to attract users to our mobile applications and websites depends to some degree on providing a robust number of for sale and rental listings. To provide these listings, we maintain relationships with real estate brokerages, real estate listing aggregators, multiple listing services, property management companies, home builders, other third-party listing providers, and homeowners and their real estate agents to include listing data in our services. Many of our agreements with real estate listing providers are short-term agreements that may be terminated with limited notice. The loss of some of our existing relationships with listing providers, whether due to termination of agreements or otherwise, or an inability to continue to add new listing providers, may cause our listing data to omit information important to users of our products and services. This could reduce user confidence in the sale and rental data we provide and make us less popular with consumers, which could harm our business, results of operations and financial condition.

We face competition to attract consumers to our mobile applications and websites, which could impair our ability to continue to grow the number of users who use our mobile applications and websites, which would harm our business, results of operations and financial condition.

Our success depends on our ability to continue to attract additional consumers to our mobile applications and websites. Our existing and potential competitors include companies that operate, or could develop, national and local real estate, rental and mortgage websites. These companies could devote greater technical and other resources than we have available, have a more accelerated time frame for deployment and leverage their existing user bases and proprietary technologies to provide products and services that consumers might view as superior to our offerings. Any of our future or existing competitors may introduce different solutions that attract consumers or provide solutions similar to our own but with better branding or marketing resources. If we are unable to continue to grow the number of consumers who use our mobile applications and websites, our business, results of operations and financial condition would be harmed.

We may be unable to compete successfully against our existing or future competitors in attracting advertisers, which could harm our business, results of operations and financial condition.

We compete to attract advertisers with media sites, including websites dedicated to providing real estate, rental and mortgage information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers' overall marketing budgets with traditional media such as television, magazines, newspapers and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate professionals to advertise their qualifications and listings. Large companies with significant brand recognition have large numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic, which may provide a competitive advantage. To compete successfully for advertisers against future and existing competitors, we must continue to invest resources in developing our advertising platform and proving the effectiveness and relevance of our advertising products and services. Pressure from competitors seeking to acquire a greater share of our advertisers' overall marketing budget could adversely affect our pricing and margins, lower our revenue, and increase our research and development and marketing expenses. If we are unable to compete successfully against our existing or future competitors, our business, financial condition or results of operations would be harmed.

Our dedication to making decisions based primarily on the best interests of consumers may cause us to forgo short-term gains.

Our guiding principle is to build our business by making decisions based primarily upon the best interests of consumers, which we believe has been essential to our success in increasing our user growth rate and engagement and has served the long-term interests of our company and our shareholders. In the past, we have forgone, and we will in the future forgo, certain expansion or short-term revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term. In addition, our philosophy of putting consumers first may negatively impact our relationships with our existing or prospective advertisers. This could result in a loss of advertisers which could harm our revenue and results of operations. For example, we believe that some real estate agents have chosen not to purchase our Premier Agent subscriptions because we display a Zestimate on their for sale listings. However, we believe it is valuable to consumers to have access to a valuation starting point on all homes and so we display a Zestimate on every home in our database for which we have sufficient data to produce the Zestimate. Similarly, we gather and make available to our consumers reviews on real estate, rental and mortgage professionals, even if those reviews are unfavorable. Although real estate, rental and mortgage professionals who receive unfavorable reviews may be less likely to purchase our advertising products and services, we continue to post favorable and unfavorable reviews because we believe the reviews are useful to consumers in finding the right professional. Our principle of making decisions based primarily upon the best interests of consumers may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business and results of operations could be harmed.

Any significant disruption in service on our mobile applications or websites or in our network could damage our reputation and brand, and result in a loss of users of our products and services and of advertisers, which could harm our business, results of operations and financial condition.

Our brand, reputation and ability to attract users and advertisers depend on the reliable performance of our network infrastructure and content delivery processes. We have experienced minor interruptions in these systems in the past, including server failures that temporarily slowed the performance of our mobile applications and websites, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses, software errors or physical or electronic break-ins, could affect the security or availability of our products and services on our mobile applications and websites and prevent or inhibit the ability of users to access our services. Since our users may rely on our products and services, including our customer relationship management tools, for important aspects of their businesses, problems with the reliability, availability or security of our systems could damage our users' businesses, harm our reputation, result in a loss of users of our products and services and of advertisers and result in additional costs, any of which could harm our business, results of operations and financial condition.

Substantially all of the communications, network and computer hardware used to operate our websites are located at facilities in the Seattle area. We do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur.

A failure of our systems at one site could result in reduced functionality for our users, and a total failure of our systems could cause our mobile applications or websites to be inaccessible. Problems faced by our third-party web hosting providers with the telecommunications network providers with which they contract or with the systems by which they allocate capacity among their

customers, including us, could adversely affect the experience of our users. Our third-party web hosting providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy reorganization, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing needs for capacity, this could harm our business. In addition, if distribution channels for our mobile applications experience disruptions, such disruptions could adversely affect the ability of users and potential users to access or update our mobile applications, which could harm our business.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, which may result from interruptions in our service as a result of system failures. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and harm our business, results of operations and financial condition.

We are subject to a variety of federal and state laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of federal and state laws that are continuously evolving and developing, including laws regarding the real estate, rental and mortgage industries, Internet-based businesses and businesses that rely on advertising. These laws can be costly to comply with, can require significant management time and effort, and can subject us to claims or other remedies. These laws may conflict with each other and if we comply with the laws of one jurisdiction, we may find that we are violating laws of another jurisdiction. Additionally, our ability to provide a specific target audience to advertisers is a significant competitive advantage. Any legislation reducing this ability would have a negative impact on our business and results of operations.

If we are unable to comply with these laws or regulations, if we become liable under these laws or regulations or if unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies are implemented, we could be directly harmed and forced to implement new measures to reduce our exposure to this liability and it could cause the development of product or service offerings in affected markets to become impractical. This may require us to expend substantial resources or to discontinue certain products or services, limit our ability to expand our product and services offerings or expand into new markets or otherwise harm our business, results of operations and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and results of operations.

We assist with the processing of customer credit card transactions which results in us receiving personally identifiable information. This information is increasingly subject to legislation and regulation in the United States. This legislation and regulation is generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information.

If our security measures are compromised, consumers may curtail use of our products and services and advertisers may reduce their advertising on our websites and mobile applications.

Our products and services involve the storage and transmission of users' information, some of which may be private, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability and litigation. For example, a hacker could steal a user's profile password and manipulate information about that user's home or post to a forum while posing as that user. Like all websites, our websites are vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personal or other confidential information. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our websites or mobile applications, or the loss or unauthorized disclosure of confidential information, our users and advertisers may lose trust and confidence in us, and users may decrease the use of our websites or mobile applications or stop using our websites or mobile applications in their entirety, and advertisers may decrease or stop advertising on our websites or mobile applications. Further, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our information or our users' or advertisers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new users and increase engagement by existing users, cause existing users to curtail or stop use of our products or services or close their accounts, cause existing advertisers to cancel their contracts, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business, results of operations and financial condition.

We have pledged substantially all of our assets to secure indebtedness.

In March 2011, we entered into a loan and security agreement with a financial institution to establish a \$4.0 million line of credit. In April 2012, we amended our loan and security agreement to increase our line of credit from \$4.0 million to \$25.0 million. Indebtedness we incur under this agreement is secured by substantially all of our assets, including our intellectual property. If we default on our obligations under this agreement, the financial institution may foreclose on our assets, which would materially and adversely impact our business. As of June 30, 2012, there were no amounts outstanding under the line of credit.

On March 22, 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our Seattle offices, and on July 30, 2012, we amended the standby letter of credit to increase the amount to approximately \$1.7 million.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the three months ended June 30, 2012.

On July 25, 2011, we sold and issued 3,981,300 shares of our Class A common stock, including 519,300 shares of Class A common stock pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$20.00 per share. The aggregate gross proceeds for all shares sold by us in the IPO were \$79,626,000. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-173570), which was declared effective by the SEC on July 19, 2011, and a prospectus filed pursuant to Rule 424(b) of the Securities Act. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit <u>Number</u>	Description
2.1	Agreement and Plan of Merger, dated May 2, 2012, by and among Zillow, Inc., RentJuice Corporation, Renegade Acquisition, Inc. and Shareholder Representative Services LLC. (1)
4.1	Agreement, Waiver and Amendment With Respect to Initial Public Offering and Common Stock Financing, dated as of April 16, 2011. (2)
10.1	Amended and Restated Loan and Security Agreement, dated April 30, 2012, by and among Zillow, Inc. and Silicon Valley Bank. (3)
10.2	Amendment to Office Lease by and between FSP-RIC LLC and Zillow, Inc., dated as of June 27, 2012. (4)
10.3*	Amendment No. 3 to the Listings and Sales Agreement by and among Yahoo! Inc., Yahoo! Realty Inc. and Zillow, Inc., dated June 28, 2012.
10.4**	Zillow, Inc. Amended and Restated 2011 Equity Incentive Plan. (5)
31.1	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document.
101.SCH***	XBRL Taxonomy Extension Schema Document.
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.
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- (1) Filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2012, and incorporated herein by reference.
- (2) Filed as Exhibit 4.14 to Registrant's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on August 7, 2012, and incorporated herein by reference.
- (3) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2012, and incorporated herein by reference.
- (4) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 27, 2012, and incorporated herein by reference.
- (5) Filed as Appendix A to Zillow's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 17, 2012, and incorporated herein by reference.
- * Portions of this exhibit are omitted and were filed separately with the Securities and Exchange Commission pursuant to Zillow, Inc.'s application requesting confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.
- ** Indicates a management contract or compensatory plan or arrangement.
- *** Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Exchange Act of 1934 and otherwise are not subject to liability.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 8, 2012

ZILLOW, INC.

By: /s/ C HAD M. C OHEN
Name: Chad M. Cohen

Title: Chief Financial Officer and Treasurer

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[***] Indicates confidential material that has been omitted pursuant to a Confidential Treatment Request filed with the Securities and Exchange Commission. A complete copy of this agreement has been separately filed with the Securities and Exchange Commission.

AMENDMENT NO. 3 TO THE LISTING AND SALES AGREEMENT EFFECTIVE DATE JULY 2, 2010, AS AMENDED ("AGREEMENT")

This Amendment No. 3 to the Agreement ("Amendment No. 3") is made effective as of June 28, 2012 ("Amendment No. 3 Effective Date") by and among Yahoo! Inc., and Yahoo! Realty Inc. (collectively "Yahoo"), on the one hand, and Zillow, Inc. ("Zillow"), on the other hand. All capitalized terms not defined herein shall have the meanings assigned to them in the Agreement.

WHEREAS, the Parties would like to display rental property listings on Yahoo! Real Estate and other Yahoo Properties;

NOW, THEREFORE, in consideration of the mutual promises contained herein and for such other good and valuable consideration, the sufficiency of which is acknowledged by the Parties hereto, Yahoo and Zillow agree to amend the Agreement as follows:

- 1. The definition of "Property" in Section 1 of the Agreement is deleted in its entirety and replaced with the following definition: ""Property" means a parcel of residential real estate, including new or existing homes and/or land, offered for sale or a residential property offered for rent and included in the listings provided by the Zillow Site."
- 2. The definition of "Zillow Listings" in Section 1 of the Agreement is deleted in its entirety and replaced with the following definition: "Zillow Listings" means the entire list and description of Resale Homes, FSBO Homes, rental properties (which may include third party trademark or brand features) listed with or licensed to Zillow or with vendors of Zillow that collect or aggregate Property listings data that Zillow has permission to license to YRI and Yahoo for use under the terms of this Agreement, and any new homes data or rental property data that Zillow may elect to make available via the Listings API (subject to the terms of Section 2.2.2).
- The definition of "Zillow Listings Feed" in Section 1 of the Agreement is deleted in its entirety and replaced with the following definition:
 - "Zillow Listings Feed" means the XML feed that contains all data relevant to Zillow Listings which complies with the specifications set forth on Exhibit A and is delivered in an XML format in accordance with the current RETS feed found at www.rets.org with the addition of two fields (Share of Voice and DisplayMode), as well as any other changes or additions to the RETS feed mutually agreed to in writing by the Parties."
- 4. Exhibit A of the Agreement is hereby amended and supplemented to include the changes reflected on Exhibit A-1 attached hereto to add rental property listings to the Zillow Listings Feed.
- 5. Section 2.1(a)(v) is hereby added as a new section to the Agreement and shall read as follows:
 "2.1(a)(v) As of the Amendment No. 3 Effective Date, Yahoo will include search functionality for rental listings on the Yahoo Real Estate Home Page, the Search Results Page, or such other location of Yahoo Properties and in such form as determined by YRI and Yahoo in each of their reasonable but sole discretion."
- 6. Section 2.1(a)(vi) is hereby added as a new section to the Agreement and shall read as follows:

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- "2.1(a)(vi) On each page on the Yahoo Properties where rental listings from Zillow are displayed in response to a search for rental listings, Users will be provided links to property details pages related to each rental listing from Zillow, hosted by YRI, through Yahoo, which will provide further information about a Home for Sale (each a "Details Page"). In accordance with and subject to Section 2.1(a) the Details Page can be modified at the discretion of YRI and Yahoo, except that at all times YRE will make best efforts to display the data delivered by Zillow as provided in the Home Details Section of Exhibit A-1. YRE reserves the right to augment the listings with data from third parties, including Users, as it sees fit, so long as such augmented data is identified as being from a different source and is presented in accordance with the terms of this Section 2.1(a)."
- 7. Section 2.6(e) is hereby added as a new section and shall read as follows:
 - "2.6(e) As of the Amendment No. 3 Effective Date, YRE will refer owners and landlords seeking to list rental properties on YRE to Zillow."
- 8. Section 2.2.2 of the Agreement is hereby amended by adding the following additional language at the end of the paragraph:
 "Beginning [***] until [***] ("Initial Rental Exclusivity Term"), Zillow will be the exclusive provider of listings for rental properties on the YRE site ("Rental Listings Exclusivity"). The Parties acknowledge and agree that the Initial Rental Exclusivity Term shall automatically renew for [***] after the end of the Initial Rental Exclusivity Term (or any current renewal term, collectively the "Rental Listings Exclusivity Term") unless either Party provides the other with written notice of its intent not to renew at least thirty (30) days prior to the end of the then current term. The Parties further acknowledge and agree that Yahoo shall not [***] (or any successor thereof), even in the event that the Rental Listings Exclusivity Term expires or is terminated by the Parties. If the Rental Listings Exclusivity Term expires or is terminated, then the Parties will negotiate a trumping order for similar rental listings from a new partner with the understanding that Yahoo will use commercially reasonable efforts to provide the best user experience and optimize revenue directly attributable to such rental listings. The Parties acknowledge and agree that (a) during the Rental Listings Exclusivity Term, Yahoo may discuss future opportunities with entities that aggregate rental listings, (b) following the Rental Listings Exclusivity Term, Yahoo may include listings for rental properties (excluding [***] or any successor thereof) on the YRE site from entities that aggregate such rental listings, and (c) Yahoo's actions under either of the immediately preceding subsections
- 9. Section 2.2.3(d) of the Agreement is hereby amended by adding the following additional language at the end of the paragraph:

 "The Parties agree that Yahoo shall have the right to include such article content on the Yahoo website home page (currently located at www.yahoo.com) or finance page (currently located at www.finance.yahoo.com), including any successor(s) or extension(s) of such pages operated by or on behalf of Yahoo or its Affiliates."
- 10. Section 2.2.3 (e) of the Agreement is hereby deleted in its entirety and replaced with the following:

(a) or (b) shall not be deemed as a violation of the terms of this Section 2.2.2."

"(e) Homes for Rent Listings. Zillow shall add rental listings to the Zillow Listings Feed that it provides to Yahoo and provide an API to Yahoo for serving rental contacts. By June 22, 2012, Zillow will provide a test feed of rental property listings to Yahoo to power the YRE's rental property search feature. Zillow will also provide Yahoo with a Rent Zestimate (Zillow's estimated monthly rental price) API and Yahoo will show Rent Zestimates for the Zillow-provided rental listings. Both Parties agree to adhere to the feed and implementation requirements indicated in the "Functional Specification Document: Adding Rental Listings to Zillow RETS feed" attached hereto as Exhibit A.1

[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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- 11. Section 3.9 is hereby added as new section to the Agreement and shall read as follows:
 - "Section 3.9 Monetization of Rental Listings. In the event that Zillow monetizes rental listings, Zillow agrees to pay Yahoo [***] of Net Revenue generated by rental listings, apportioned by the number of rental contacts (or another performance metric to be mutually agreed upon) generated by Yahoo relative to the total rental contacts from the Zillow and Yahoo networks combined."
- 12. Section 13 of the Agreement is hereby amended by adding the following additional language at the end of the paragraph:

 "Notwithstanding any other terms or agreements between the Parties, the Parties may issue a joint press release announcing the inclusion of Zillow rental property listings on Yahoo! Real Estate and other Yahoo Properties, the final version of which is subject to both Parties' approval."
- 13. Zillow and Yahoo each represent and warrant to the other that it has the right, power and authority to enter into this Amendment No. 3.
- 14. In the event of conflict between the terms and conditions of the Agreement and the terms and conditions of this Amendment No. 3, the terms and conditions of this Amendment No. 3 shall control. Except as amended by this Amendment No. 3, the Agreement shall remain in full force and effect in accordance with its terms.
- 15. This Amendment No. 3 may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to the Agreement to be executed by their duly authorized representatives as of the Amendment No. 3 Effective Date.

YAHOO! INC.

By:	/s/ ERIC ALEDORT			
Title:	VP, BD			
Printed Name:	Eric Aledort			
Date:	6/28/12			•
YAHOO! REA	LTY INC.	ZILLOW, INC	· ·	
By:	/s/ AMAN KOTHARI	By:	/s/ GREG SCHWARTZ	
Title:	SVP, CAO	Title:	CRO	
Printed Name:	Aman Kothari	Printed Name:	Greg Schwartz	
Date:	6/28/12	Date:	6/28/12	

[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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EXHIBIT A-1

Functional Specification Document: Adding Rental listings to Zillow RETS feed

Yahoo! Real Estate & Zillow

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Introduction

Purpose and Scope

This document describes the requirements and functional design for adding Rental properties to Yahoo site.

Intended Audience

The primary audience for this document is Yahoo! Real Estate and Zillow.

Revision History

Version #	Date	Revised By	Revision Description
1.0	4/18/12	Zillow	Initial version.
1.1	5/23/12	Zillow	Added post launch features.

Assumptions

- Using the existing RETS feed to include Rental properties along with the For Sale properties.
- ListingAdAPI, Contact API, Beacon specifications are not changed.
- · Home details page for rent is similar to for sale page, additional requirements for the home details page are added to this document.

RETS Feed

Following table provides the new rental fields included in the existing RETS feed generated every day. This table only includes the changes or additions to the rental feed.

Field Name	Type	Required	New	Notes
ListingCategory	Enumeration	Yes	N	Purchase/Lease/Rental
CommunityName	String	No	N	If exists.
Deposit	String	No	N	Deposit & Fees
LeaseTerms	String	No	N	Lease Term
AvailableDate	int	No	N	Availability
AvailableMonth	int	No	N	Availability
AvailableYear	int	No	N	Availability
Pets	String	No	Yes	Pets allowed
UtilitesIncluded	String	No	Yes	Utilities included
PropertyType	String	Yes	No	Rental

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Apartment Listings

Zillow does not support the floor plans for a given community. Floor plans will be sent in RETS feed as individual listings. For these listings

- CommunityName field will be community name + floor plan name.
- · FullStreetAddress field will not include the UnitNumer
- UnitNumber field is populated to differentiate the listings.

Example listing in Zillow: http://www.zillow.com/homedetails/10290-NE-12th-St-143771-Bellevue-WA-98004/2120755813 zpid/

ListingURL

ListingURL in RETS feed for rentals is Zillow HDP URL.

After Yahoo implements the ListingAdAPI for Rentals, ListingURL will point to the provider link if it exists otherwise the Zillow HDP URL.

UI Specifications

Search Results Page

Sorting

[***]

[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Search Result display

- · Featured flag to show the featured status.
- Show community name if exists, else show the street address.
- [***]
- · Display the broker logo if is exists in RETS feed.



4145 KARL RD Columbus, OH Beds: 2 | Bath: 1 Sq. Feet; N/A Single Family Home Listed on Yahoo! 04/04/2012 \$1,550

kanyang araw Kalipatan

RE/VIX



Georgetown
Columbus, OH
Beds: 0 - 4 | Bath: 1 - 3
Sq. Feet: 422 - 2,300
Clintonville
Listed on Yahoo:: 03/29/2012

\$685

Home Details Page

- Add Pets and Utilities Included fields in listing overview.
- Similar to for sale page, show the "contact module" and ListingProvided by Module. Listing Offered By module is shown.
- [***]
- If the community name exists display the community name.
- If Availability date is today or past show the availability as "Now".
- If Availability date does not exist show availability as "Contact For Details"

[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Listing Ad API

There are no changes to the listingadapi for rental listings. See the variations of the contact modules for rental listings shown on Zillow. These designs are for informational only, yahoo should be using their existing contact agent UX treatment similar to the for sale pages.

Current Zillow Rental Contact Design Variations

Note: For the Zillow contact designs included in this specification, Yahoo shall include all elements represented by Zillow in these screenshots, however, Yahoo! does not necessarily have to follow the same design and reserves the right to make changes to the user interface as deemed necessary.

Property Manager with Logo



[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Property Manager

Contact property manager James Kennedy **** Horizon Real Estate Call (425) 605-2627 Srinwas Palun Thank srinwasp@zillow com I am interested in 13710 SE Somerset Blvd. Bellevue, WA 98006.

Contact Landlord

Call (206) 234-2494 Srinwas Palun Filiana srinwasp@zillow.com I am interested in 22005 NE 1st St. Sammamish, WA 98074.

Contact Landlord

Post your home for rent on Zillow

Beacon

Beacon requirements are similar to the For Sale pages.

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Search results page:

• [***]

Home details page:

- [***]
- [***]

Reviewers

Name

Title/Role

[***] Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

- I, Spencer M. Rascoff, certify that:
- 1. I have reviewed this report on Form 10-Q of Zillow, Inc. for the fiscal quarter ended June 30, 2012;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S PENCER M. R ASCOFF

Name: Spencer M. Rascoff
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chad M. Cohen, certify that:

- 1. I have reviewed this report on Form 10-Q of Zillow, Inc. for the fiscal quarter ended June 30, 2012;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ C had M. C ohen

Name: Chad M. Cohen

Title: Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Zillow, Inc. (the "Company") for the fiscal quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Spencer M. Rascoff, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ S PENCER M. R ASCOFF

Name: Spencer M. Rascoff
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Zillow, Inc. (the "Company") for the fiscal quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chad M. Cohen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ C had M. C ohen

Name: Chad M. Cohen
Title: Chief Financial Officer

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Zillow to Acquire Mortech to Add **Professional Services to Zillow Mortgage Marketplace**

DATE: NOVEMBER 5, 2012 | CATEGORY: ZILLOW NEWS | AUTHOR: ERIN LANTZ

Today, we're excited to announce we've entered into an agreement to acquire Mortech, a mortgage technology company that provides software tools to mortgage professionals. This acquisition represents a tremendous leap forward in the building of Zillow Mortgage Marketplace.



In 2008, we launched Zillow Mortgage Marketplace as the first lending marketplace that puts the needs of borrowers first. We were the first site to allow borrowers to submit a loan request without being required to share any personal information, and shop and compare rates, loans and fees from hundreds of lenders nationwide. instantly. We set up the system so the borrower contacts the lender - not the other way around. What's more, we created a lender review system — an industry

first — where borrowers could review the lenders based on their service level. Today, we have more than 22,000 lender reviews on the site

What's so exciting about today's announcement is that we are acquiring a company that gives mortgage professionals valuable technology tools to help them better manage their business and serve their customers — ultimately enhancing the consumer experience

You can read more about the acquisition in our press release today

We are thrilled to welcome Mortech's talented team, based in Lincoln, Nebraska, to Zillow,

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How To Use Zillow Mortgage Marketplace

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DATE: SEPTEMBER 11, 2008 | CAFEGORY: TIPS & ADVICE | AUTHOR: BRIAN BRADY

Here's the real truth; you'll never get the "lowest rate" or "cheapest costs" on your home loan. Don't believe me? Play this little game

How can a borrower, yearning to get a fair shake on their mortgage terms, use Zillow Mortgage Marketplace (ZMM)? What you're watching, when you look at the marketplace, is akin to the ticker tape on Wall Street. Now, ticker tape hasn't been used since the Mets won the World Series but you get the idea. You're watching live quotes, provided by verified lenders, based on borrowergenerated information. While the information provided the lenders is not verified, the quotes are legitimate attempts to satisfy a consumer's curiosity for transparent mortgage information. Most interesting is the "action" on each quote screen. In this volatile mortgage market, rates can change 2-3 times each day and you have a ring-side seat.

The best way to obtain a mortgage is through someone whom you trust. If you have an existing relationship or were referred to a credible source, you're probably best advised to start there. The power of ZMM is that you will be better informed when you contact that person. Clicking to the mortgage tab, on Zillow, brings you to a chart with average rates, and the "ticker tape" of live quotes, directly below that. Now click the "mortgage rates and charts", on the left-hand toolbar. Below the cool line-graph, are live quotes. Start browsing those quotes and look at the top box of the quote to see if the borrower-provided information is consistent with yours. This will give you a pretty good idea of what's available.

If you have no relationship or want to "get into the game", you can click the "get quotes" button, directly below the line graph. Here, you'll create a customized quote request, based on information you provide. This is where the axiom, "garbage in=garbage out" comes into effect. If you're not brutally honest when filling this form out, you'll waste both your and the participating lenders' time. Surely, you'll end up disappointed.

Upon receipt of a few quotes, you'll want to contact that lender to see if you're comfortable with them. Listen to that little voice inside our head if you don't feel right about the lenders whom you contact, it's usually correct. I suggest that you have all of your documentation neatly prepared, scanned into a PDF file, and prepared to e-mail to the lenders. You can see a comprehensive list of that documentation, along with a generally accepted stacking order, by reading this article.

When interviewing loan originators, I think it's mandatory that they be able to answer these seven questions. If you are not satisfied with the answers, run, don't walk away from them.

Finally, understand how originators are compensated and the proper use of yield spread premium. This will help you as you negotiate the terms of your mortgage. You should be able to obtain a good-faith estimate (along with the corresponding truth-in-lending statement), conditional loan commitment, and lock-in letter, confirming that your terms are guaranteed. Any surprises should be accompanied with a rational explanation. If the discrepancy was because of the information you provided, you should completely understand why those terms changed.

Zillow Mortgage Marketplace is an exciting tool for consumers to use when obtaining a mortgage. Whether you're a shopper or just "keeping your loan guy honest", the transparent atmosphere that ZMM provides can help you get started. Follow my documentation advice and the transition from "quote" to funded loan will go smoothly.

FAGS: ZIFLOR MORTGAGE MARKETPLACE, ZIFLOW MORTGAGE QUOTES





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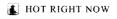


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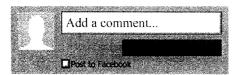
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JILLAYNE SCHLICKE 9:56 PM - SEP 11,2008

Hi Brian,

Last time I checked, ZMM did not have the LOs quoting a YSP in their zillow mortgage quote.

Did that change?



BRIAN BRADY 11:43 PM - SEP 11,2008

Nope, Jillayne. A ZMM quote isn't a "quote" because an application hasn't been made. YSP should be disclosed, on the GFE and with the TIL, within three days of the sooner of:

- a) application
- b) credit pull

The best way to describe the offering an originator makes on ZMM, to a consumer, is "indication of interest"

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DAVID G FROM ZILLOW.COM 8:19 AM - SEP 12,2008

Hi Jillayne -

Yep, there's still no YSP in ZMM. Looking back at the conversation we had earlier in the year about this, I'm personally very glad that we went that route. Quotes in Zillow Mortgage Marketplace come from a wide variety of sources – not just from brokers – and so it would have been impossible for consumers to do an apple-to-apple comparison if quotes from brokers had a YSP component and others did not. I do appreciate the fact that there's some transparency to the margin that some lenders are making and that YSP disclosure on a GFE should assist borrowers in negotiations with brokers but I am personally convinced that YSP is a useless and confusing data point to present to borrowers in the context of choosing between loans and lenders.



6:32 PM - SEP 12,2008

I was checking the value of my home and noticed that the information is not correct. This home has always had three bedrooms and an inground pool with heater since we purchased the home in 2004. Wouldn't this change the value of the home and why are several of the homes in my area not listed correctly?



DAVID G 11:01 AM - SEP 13,2008

Hey Dianne,

You can claim your home and edit its facts to correct the number of bedrooms and in a short while, the Zestimate should respond to that update (assuming that we have sufficient data about the value of 3 bed homes in your area.) If your 2004 purchase price is reflected on your home's detail page, it's likely that the value of the heated pool is implicitly factored into the Zestimate using the relative sales value that that time.

You can find answers and discussions about Zestimate and home facts issues in the "Using Zillow" forums (if you post an address you'll get less general feedback: http://www.zillow.com/forum/site/ViewCategory.htm?tcid=10



TIM BRADFORD - AMMCORP.NET 12:04 PM - SEP 13,2008

I am a lender at ZMM and do believe there is alot of information and resources available to borrowers and home owners. I most like your choice of words when you say to "keeping your loan guy honest". ZMM is one tool to do just that. However, visitors need to remember that we are salesman and some sales people attempt to get you to give them a call knowing something will be different from what you input so the quote they gave may not be what they offer. Most lenders have similar pricing and products so anyone that is too far off the mark or fail to read the information that you presented should be avoided in my opinion.

Thank you for presenting ZMM, the pros and cons to consumers.



ELEONORA 6:42 AM - JAN 8,2009 Anybody can apply for a free online home refinance quote provided he/she is a ... The online home refinance experts will send you an instant approval. ... Online home refinance

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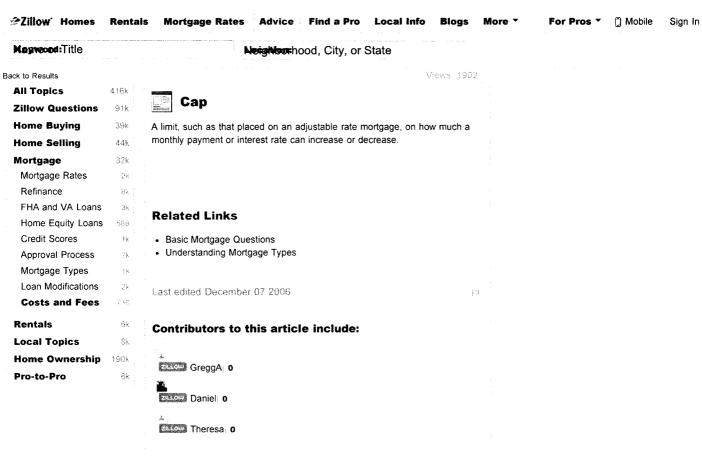
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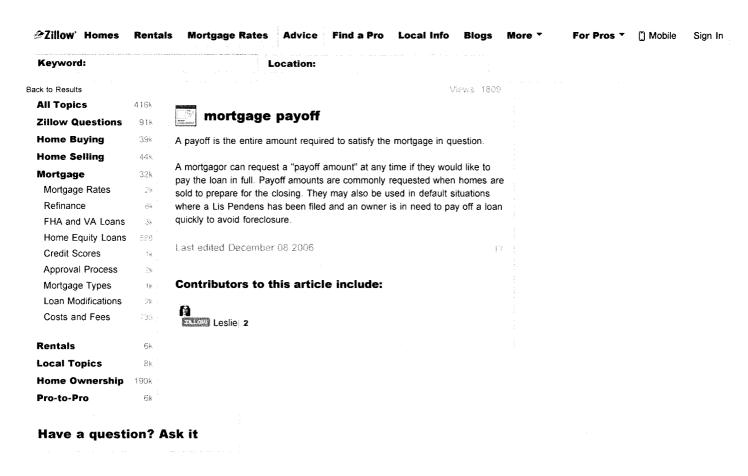
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Removing contingencies on purchases

It used to be that the mortgage contingency or financing date was one of the most important parts of the purchase and sales contract. This is the date when all conditions have been met, in a satisfactory manner to the investor, and is generally the last hurdle to be cleared before the closing date. But with the increases in residential house values and the subsequent increase in home owners "net equity", there is a new dilemma involved in buying and selling a home simultaneously. Obviously using the net equity from the sale of the current home to purchase the new primary residence is the ultimate goal, but all too often these days we are seeing contingency clauses in contracts, making the sale or purchase reliant upon another purchase or sale – and us reliant upon the abilities of another agent.

There are two solutions which allow the purchase to take place without the contingency on the sale of the current home. The first is a **bridge loan**, the second are **transition loans**.

A bridge loan lets you borrow a portion of the current home's equity, and use it to purchase the new residence. These loans require excellent FICO scores (typically 720) and a good equity position. They allow the borrower to borrow up to 80% of the appraised value. From these funds the investor pays off all current mortgages, collects 6 months of interest payments and then pays the costs of the loan. The remaining funds are available for use towards the new purchase. Because the mortgages are paid off and six months of payments have been taken, the borrower has no payments on the loan for the next 6 months. If the house sells before 6 months are up the borrower is refunded the unused pre-paid interest. If the loan stays in place after 6 months the borrower makes interest-only payments through months 7 to 12. After 12 months the bridge loan needs to be refinanced in to a longer term mortgage as an investment property.

Bottom line – the bridge loan is a segue loan, for up to 12 months, designed for borrowers with great credit and a great equity position, to utilize the proceeds to purchase a new primary residence.

Transition loans are geared towards borrowers who do not have the equity position or the credit scores to qualify for a bridge loan, and they enable the borrower to purchase the new primary residence without having to sell the current home. These loans typically require FICO scores of 620 or better, and make use of several of the low/no documentation programs that are available. They allow the purchase of the new home without it being contingent upon the sale of the current home; with minimal income and asset documentation. These programs can finance 100% of the purchase, which is key, and the loan is typically paid down and refinanced once the old primary residence sells.

Additionally, some borrowers are taking advantage of programs that allow up to 100% refinancing of their current home, as soon as it is off the market. By taking the property off the market and doing this type of refinance, the borrower can access funds to put down against the new property using one of the low/no documentation loans — securing a better rate and removing the need to refinance immediately upon the sale of the old home.

As you can see, while they may take different paths, both options carry the same vision of eliminating the need to have the purchase and sales contract contingent upon the sale of the current home.

These are short term loans, with long range results, and give the Real Estate industry a positive solution to an ongoing challenge. For more information email gmorfill@ftmc.net

Last edited December 08 2006

Contributors to this article include:

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ZILLOW INC

FORM 10-K (Annual Report)

Filed 02/22/13 for the Period Ending 12/31/12

Address 1301 SECOND AVENUE

FLOOR 31

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Telephone 206-470-7000

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Washington, D.C. 20549

Form 10-K

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	OR	•		
	ZILLOW (Exact name of registrant as			
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	(206) 470-' (Registrant's telephone numbe Securities registered pursuant to	; including area code)		
	Class A Common Stock, par value \$0.0001 per share (Title of each class)	The Nasdaq Global Market (Name of each exchange on which registered)		
	Securities registered pursuant to None	Section 12(g) of the Act:		
I I period i I Regula	indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(c indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or that the registrant was required to file such reports), and (2) has been subject to such filing requirements indicate by check mark whether the registrant has submitted electronically and posted on its corporate Witton S-T during the preceding 12 months (or for such shorter period that the registrant was required to su	of the Act: Yes No 150 No 1		
informa	indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not co ation statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accel	0-K. □	r	
"accele	rated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):		_	
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I	celerated filer		-d	
upon th	ic closing price of such shares on The Nasdaq Global Market on such date was \$497,366,929. As of February 15, 2013, 26,477,650 shares of the Registrant's Class A common stock and 7,462,562 shares.			
	DOCUMENTS INCORPORA	TED BY REFERENCE		
T meeting	The information required by Part III of this Report, to the extent not set forth herein, is incorporated in the gof shareholders. The definitive proxy statement will be filed with the Securities and Exchange Commis	s Report by reference to the Registrant's definitive proxy statement relating to its 2013 annual sion within 120 days after the end of the 2012 fiscal year.		
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ZILLOW, INC.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2012

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As used in this Annual Report on Form 10-K, the terms "the Company," "we," "us" and "our" refer to Zillow, Inc., unless the context indicates otherwise.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and "Business," contains forward-looking statements based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A (Risk Factors) of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Business

Mission

Our mission is to build the most trusted and vibrant home-related marketplace to empower consumers with information and tools to make smart decisions about homes.

Overview

Zillow operates the leading real estate and home-related information marketplaces on mobile and the Web, with a complementary portfolio of brands and products to help people find vital information about homes, and connect with the best local professionals. In addition to our websites, including Zillow.com, we also own and operate Zillow Mobile, our suite of home-related mobile applications, Zillow Mortgage Marketplace, where borrowers connect with lenders to find loans and get competitive mortgage rates, Zillow Digs, our home improvement marketplace where consumers can find visual inspiration and local cost estimates, Zillow Rentals, a marketplace and suite of tools for rental professionals, Postlets, Diverse Solutions, Buyfolio, Mortech and HotPads. Zillow was incorporated as a Washington corporation in December 2004, and we launched the initial version of our website, Zillow.com, in February 2006.

Zillow provides products and services to help consumers through every stage of homeownership – buying, selling, renting, borrowing and remodeling. We are transforming the way people make home-related decisions, and enabling homeowners, buyers, sellers and renters to find and connect with local professionals best suited to meet their needs.

We maintain an unwavering commitment to providing consumers free access to as much useful information as possible. Our living database of more than 110 million U.S. homes includes homes for sale, homes for rent and homes not currently on the market, and attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 37 million homes and have added nearly 100 million home photos, creating exclusive home profiles not available anywhere else. These profiles include detailed information about homes such as property facts, listing information, and purchase and sale data. We provide this information to our users through our industry-leading mobile applications that allow consumers to access our information when they are curbside, viewing homes, and through our websites.

Using complex, proprietary automated valuation models, we provide current home value estimates, or Zestimates, and current rental price estimates, or Rent Zestimates, on approximately 100 million U.S. homes. We present residential real estate data in ways that have changed the way consumers search for, find and understand home-related information and make real estate decisions.

Consumers increasingly are turning to the Internet and mobile devices for real estate information. For the three months ended December 31, 2012, more than 34.5 million average monthly unique users visited Zillow's mobile applications and websites, representing year-over-year growth of 47%. Over 50% of our home views now occur on a mobile device. We operate the most popular suite of mobile real estate applications across all major mobile platforms. During December 2012, 143 million homes were viewed on Zillow on a mobile device, or 53 homes per second. We monetize our marketplace businesses on mobile in the same way we do on our web platform.

Real estate, rental, mortgage and home improvement professionals are a critical part of home-related marketplaces. We enable consumers to find and connect with local professionals best suited to meet their needs. We have created a trusted and transparent marketplace where consumers can search and read reviews on local real estate, rental, mortgage and home improvement professionals and contact those professionals on their own terms. Consumers initiate contact through our marketplaces when they are ready to speak with professionals—providing those professionals with access to highly qualified clients and giving consumers control over their decision-making process.

Our home-related marketplaces benefit from network effects. As more consumers come to our mobile applications and websites to use our products and services, more real estate, rental, mortgage and home improvement professionals contribute content to distinguish themselves, thereby making our marketplaces more useful and attracting additional consumers.

We generate revenue from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenue has grown significantly since our initial website launch in 2006. For the year ended December 31, 2012, we generated revenue of \$116.9 million, as compared to \$66.1 million for the year ended December 31, 2011, an increase of 77%.

Industry Dynamics

The Importance of Homes

Homes are the center of peoples' lives, the focus of some of their most important decisions and often their most valuable assets. Deciding where to live, which home to choose and whether and when to rent or buy are among the most important decisions a person must make. Historically, objective information and advice about the value of homes has been hard to find and keep current, even though a home's changing value can profoundly influence many financial and personal decisions. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement.

Large Market Opportunities

Residential real estate is one of the largest sectors of the U.S. economy and supports millions of professionals that provide services related to home purchase and sale, rental, home financing, and home maintenance and improvement. Based on external and internal assessments, we believe our current addressable markets include the following:

Purchase and Sale — Sales of existing and new homes in the United States in 2011 had an aggregate transaction value of approximately \$994 billion, according to data published in May 2012 by the U.S. Census Bureau and the National Association of REALTORS *, or NAR. In an effort to acquire new client relationships and sell homes, U.S. real estate agents and brokers were projected to spend an estimated \$6.9 billion on residential advertising in 2012, according to a forecast from Borrell Associates released in 2012. In addition, U.S. real estate developers were projected to spend an estimated \$1.3 billion on residential advertising in 2012, also according to a forecast from Borrell Associates released in 2012.

Rentals —U.S. rental property managers and landlords were projected to spend an estimated \$2.2 billion on residential advertising in 2012, according to a forecast from Borrell Associates released in 2012. In the United States, there were 93 million people residing in rental housing units, according to data published by the U.S. Census Bureau in 2011. In the first quarter of 2012, there were approximately 43.4 million rental housing units in the United States, with nearly 9% vacant, according to data published by the U.S. Census Bureau in April 2012. Over 70% of movers in 2011 were renters, according to the U.S. Census Bureau migration data.

Home Financing —U.S. residential mortgage providers were projected to spend approximately \$3.6 billion in 2012 marketing their services and loan products to mortgage borrowers, according to a forecast from Borrell Associates released in 2012.

Home Improvement — Spending on advertising by the home improvement industry was expected to be approximately \$6.0 billion in 2012, according to a forecast from Borrell Associates released in 2012. Additionally, it is estimated that approximately \$300 billion was spent on home improvement and repairs in 2012, according to a January 2013 report from the Joint Center for Housing Studies of Harvard University.

Display Advertising —We estimate that companies seeking to reach consumers spent approximately \$7.2 billion in 2011 on Web display and mobile display advertising, based on data published by the Interactive Advertising Bureau in 2012 and excluding our estimate of display advertising by real estate agents and brokers, real estate developers, rental property managers and landlords and mortgage providers based on a forecast of 2012 advertising from Borrell Associates released in 2012.

Highly Fragmented, Local and Complex Market

The market for residential real estate transactions and home-related services is highly fragmented, local and complex. Each home has unique characteristics, including location, value, size, style, age and condition. Each consumer approaches home-related transactions with a personal set of objectives, priorities and values. Real estate agents generally operate in local markets as independent contractors with different experiences and skills. These conditions create challenges for consumers and real estate, rental, mortgage and home improvement professionals alike. Consumers are challenged to find information about homes and to find real estate, rental and mortgage professionals who fit their individual needs. Real estate, rental, mortgage and home improvement professionals are challenged to efficiently advertise their services and identify new clients, and to measure the effectiveness of their marketing efforts.

Absence of Consumer Orientation

Historically, consumers had minimal access to comprehensive and objective residential real estate data, even though many home-related decisions are extraordinarily information-intensive. While real estate, rental, mortgage and home improvement professionals had some data, consumers did not have free, independent and easy access to it. Even when accessible, the data was difficult to interpret and analyze.

Increasing Role of Mobile Technologies and the Internet

Consumers are increasingly turning to mobile devices and the Internet to access real estate information. With the widespread adoption of mobile and location-based technologies, consumers increasingly expect home-related information to be available on their mobile devices where, when and how they want it. Over 50% of our home views now occur on mobile devices. We believe that the technological platform shift from desktop computers to mobile devices benefits technology leaders like Zillow who are quick to innovate.

Competitive Advantages

We believe we have the following competitive advantages:

- Inimitable Database of Homes. Our living database of homes is the result of years of substantial investment, sophisticated economic and statistical analysis, complex data aggregation and millions of user contributions. Our dynamic and comprehensive living database includes detailed information on more than 110 million U.S. homes, and includes homes for sale, for rent and recently sold, as well as properties not currently on the market. This database is central to the value we provide to consumers and real estate, rental, mortgage and home improvement professionals. It contains extensive information that users can search, through an easy-to-use interface, to identify, analyze and compare homes. Our database is relevant to a broad range of users, including buyers, sellers, renters, homeowners, real estate agents and other real estate professionals. It includes information such as:
 - Property facts: Zestimate and its corresponding value range, number of bedrooms, number of bathrooms, square footage, lot size, assessed tax value and property type such as single-family, condominium, apartment, multifamily, manufactured home or land.
 - Listing information: price, price history and reductions, dollars per square foot, days on the market, listing type (such as for sale by agent, for sale by owner, foreclosures, new construction, rentals and Make Me Move homes) open houses, property photos and estimated monthly payment.

Purchase and sale data: prior sales information and recent sales nearby.

We synthesize data from hundreds of automated feeds, representing information from tens of thousands of public and private sources. Applying extensive computer analytics to the data, we transform it into information that is accessible, understandable and useful.

We refer to the database as "living" because the information is continually updated by the combination of our proprietary algorithms, synthesis of third-party data from hundreds of sources, and through improvements by us and, importantly, by our community of users. User-generated content from owners, agents and others enriches our database with photos and additional property information. More than 20 million pieces of user-generated content have been manually contributed to Zillow, and this is growing by more than 650,000 contributions per month. Individuals and businesses that use Zillow have updated information on more than 37 million homes in our database and added nearly 100 million home photos, creating exclusive home profiles available nowhere else. Our inimitable database enables us to create content, products and services not available elsewhere, and attracts an active, vibrant community of users. As of December 31, 2012, we had published nearly 225,000 reviews of local real estate agents and nearly 26,000 reviews of mortgage professionals submitted by our users, and our users had submitted more than 635,000 questions and answers in our discussion forum, Zillow Advice. Zillow Advice allows consumers to ask questions of real estate, rental, mortgage and home improvement professionals and other consumers and quickly learn more about homes and real estate topics of interest. In particular, many of our dedicated active contributors devote substantial time sharing their expertise about Zillow and the real estate market on Zillow Advice. Real estate, rental, mortgage and home improvement professionals who participate in Zillow Advice play a key role in helping to educate consumers, and benefit from exposure to consumers and resulting referrals.

- Zestimates, Rent Zestimates and Digs Estimates. We have developed industry-leading automated home valuation models that use advanced statistical methods and complex, proprietary algorithms. We use these models to provide current home value estimates, or Zestimates, and current rental price estimates, or Rent Zestimates, on approximately 100 million U.S. homes. Based on our Zestimates, we produce Zillow Home Value Indexes at the neighborhood, zip code, city, metropolitan statistical area, county and national levels. Our Zillow Home Value Indexes have been cited by government entities such as the Federal Reserve Bank and the Congressional Oversight Panel, university studies and respected national publications. For historical comparisons, we provide up to 15 years of Zestimate history on each home and valuable information about property and real estate market trends. Our Zestimates, Rent Zestimates and Zillow Home Value Indexes allow consumers to evaluate homes and neighborhoods, and to easily evaluate historical trends, as they contemplate critical home-related decisions. Approximately 75% of all U.S. homes have been "Zillowed". With Zillow Digs, home shoppers and homeowners can find visual inspiration and understand the real cost of remodeling projects. Users can browse tens of thousands of photos and see Zillow's proprietary Digs Estimates for the estimated cost, based on where they live, of the actual bathrooms and kitchens they are viewing. Unique to Zillow, Digs Estimates give consumers the estimated cost of thousands of real bathrooms and kitchens in Zillow Digs' ever-increasing portfolio of photos and are computed using Zillow's proprietary algorithm, which includes real-world data from local contractors such as size, materials, finish level, and regional labor and material rates. The Digs Estimates' patent-pending technology helps home shoppers and homeowners create more realistic budgets appropriate for their specific market.
- Independent Market Positions and Consumer Focus. Zillow has been built independent of any real estate industry group. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. We provide unbiased information, products and services, empowering consumers to make informed decisions about homes and the residential real estate market. We believe our independence enables us to create compelling products and services with broad consumer appeal.

- Powerful Brand and Scale. We have established a powerful brand identity and built a large user community in a short time. The majority of our traffic comes direct, not dependent on search engines, with demonstrated consumer intent to visit the Zillow brand. During December 2012, 34.7 million unique users visited Zillow's mobile applications and websites, representing year-over-year growth of 48%.
- Mobile Leadership and Monetization. Shopping for a home is a far more meaningful consumer experience when it occurs curbside, untethered and on location, so we have developed and operate the most popular suite of mobile real estate applications across all major platforms. In December 2012, 143 million homes, or 53 homes per second, were viewed on Zillow on a mobile device, representing over 50% of our home views. Our suite of mobile applications includes 23 distinct real estate, rental, mortgage and home improvement applications that enable people to access and analyze information where, when and how they want it. We monetize our marketplace businesses on our mobile platform in the same way we do on our web platform.
- Multiple Robust Home-Related Marketplaces. We have created trusted and transparent marketplaces in real estate, rentals, mortgages and home improvement where consumers can identify and connect with local professionals that are best suited to meet their needs. Our living database of homes provides a foundation on which we can build new consumer and professional marketplaces in other home-related categories.
- Technology Solutions for Professionals. We offer a suite of marketing and technology solutions to help real estate, rental and mortgage professionals grow their businesses and personal brands.
- Consumer-Oriented Mortgage Marketplace. Unlike other sources of mortgage rate quotes, in Zillow Mortgage Marketplace consumers can anonymously submit mortgage loan requests and receive an unlimited number of personalized mortgage quotes directly from hundreds of consumer-rated lenders. Consumers can then choose to contact those lenders at their discretion. Because we operate this marketplace as part of our real estate home shopping experience, we can efficiently attract motivated users to the marketplace and prioritize the consumer's experience. For the year ended December 31, 2012, consumers submitted nearly 12 million mortgage loan requests in Zillow Mortgage Marketplace.
- Personalized Experience. We present consumers and real estate, rental, mortgage and home improvement professionals with many opportunities to personalize their Zillow experience, leading to more informed home shopping and financing decisions. Users can save favorite homes on Zillow and receive monthly email updates on changes in those homes' values, listing status, price changes and other data. Users also can customize "saved searches" for any neighborhood or zip code and receive daily email updates on new homes listed for sale, for rent, or price changes for existing listed homes. Once a favorite home or search parameters are saved on Zillow, a consumer or professional may access these personalized options every time they visit Zillow through a mobile device or on our websites, personalizing a Zillow experience unique to them.
- Proven Management Team. We believe the broad experience and depth of knowledge of our management team are distinct competitive advantages in the complex and evolving industry in which we compete. The Zillow management team has extensive experience building successful consumer Internet companies. In particular, we believe that the shared experience of 11 of our executives, who held similar positions together at Expedia Inc., provides our management team with unique cohesion and insight.

Growth Strategies

Our growth strategies are:

• Focus on Consumers. Maintain our unwavering focus on consumers and leverage our industry independence to enhance existing products and services and develop new offerings with broad consumer appeal.

- Enhance Our Living Database. Enhance the information in our database of homes, and use it as the foundation for new analyses, insights and tools to inform consumers throughout the home ownership lifecycle.
- Leverage Our Mobile Leadership. Innovate and expand our offerings for mobile devices, launching more applications and extending our brand and products across additional mobile platforms.
- Deepen and Strengthen and Expand Our Marketplaces. Deepen and strengthen our marketplaces by creating new opportunities for high-quality consumer-initiated connections with real estate, rental, mortgage and home improvement professionals when consumers want their services. Our living database of homes provides a foundation on which we can build new consumer and professional marketplaces in other home-related categories.
- Efficiently Increase Brand Awareness. Expand public relations, social media, content distribution and advertising programs to efficiently increase brand awareness.
- Expand Our Platform. Expand our platform beyond advertising services for real estate, rental, mortgage and home improvement professionals by developing additional marketing and business technology solutions to help those professionals manage and grow their businesses and personal brands.
- Optimize Opportunities for Premier Agent Participation. Optimize opportunities for Premier Agent participation in our marketplaces through development of a broad variety of marketing and business technology solutions.
- Leverage Our Sales Force. Leverage our sales force's expertise with new advertising and technology offerings.
- Pursue Strategic Opportunities. Pursue strategic opportunities, including commercial relationships and acquisitions, to strengthen our market position, enhance our capabilities and accelerate our growth.

In the year ended December 31, 2012, we completed four acquisitions that align with our growth strategies, including deepening, strengthening and expanding our marketplaces and, in particular, our emerging marketplaces of rentals and mortgages, focusing on consumers and optimizing opportunities for Premier Agent participation. In May 2012, we acquired RentJuice Corporation, a company that provides software tools for the rental industry. RentJuice is operated under Zillow Rentals, representing a strategic expansion of our rentals marketplace by providing us with a comprehensive suite of business and marketing services for rental professionals. We continued the strategic expansion of our rentals marketplace with the acquisition of HotPads, Inc., a map-based rental and real estate search site, in December 2012. HotPads, a consumer-facing company, was acquired to help grow our rental marketplace for consumers and professionals by extending the reach of our marketing tools and productivity solutions for rental professionals. We accelerated the development of another emerging marketplace, Zillow Mortgage Marketplace, with our November 2012 acquisition of Mortech, Inc., a software and services company that provides mortgage-related solutions to lenders, bankers, credit unions and smaller community lenders. With the addition of Mortech, Zillow now delivers valuable marketing and productivity solutions to mortgage professionals to help them manage their business and borrower contacts. To enhance opportunities for Premier Agent participation, Zillow acquired Buyfolio.com, in October 2012. Buyfolio, an online and mobile collaborative shopping platform where home shoppers can search, track, organize and discuss for-sale listings with their real estate agent, significant other, or a private group, enhances the increasing suite of tools Zillow offers to real estate agents in the Premier Agent program. Each of these strategic acquisitions support the expansion of our platform through our suite of marketing and business techno

With the introduction of new tools and solutions, such as Zillow *Rentals, Property Management Websites and Premier Agent Websites, we continue to focus on strengthening our marketplaces for both consumers and professionals and enhancing the Premier Agent experience.

Advertising Products and Services

We provide advertising products and services for real estate, rental, mortgage and home improvement professionals that provide useful content for consumers.

Marketplace Advertising

Premier Agent Program

Zillow's Premier Agent program offers a suite of marketing and business technology solutions to help real estate agents grow their businesses and personal brands. The Premier Agent program allows agents to select products and services that they can tailor to meet their business and advertising needs. The program has three tiers of participation including Premier Platinum, our original flagship subscription product, as well as Premier Gold and Premier Silver, to meet different marketing and business needs of a broad range of agents. All tiers of Premier Agents receive access to a dashboard portal on our website that provides individualized program performance analytics, as well as our personalized website service, and our customer relationship management, or CRM, tool that captures detailed information about each contact made with a Premier Agent through our mobile and web platforms. Our Premier Gold product also includes featured listings whereby the agent's listings will appear at the top of search results on our mobile and web platforms. Our Premier Platinum product includes the dashboard portal on our website, our personalized website service, our CRM tool, featured listings, and inclusion on our buyer's agent list, whereby the agent appears as the agent to contact for listings in the purchased zip code. Our multi-tiered Premier Agent advertising program, along with our Diverse Solutions agent website services, our CRM tools, and our Postlets syndication tool, serve as a foundation to extend our platform beyond just marketing services for real estate agents to a platform that also includes other types of trade services and tools we can offer to real estate agents to help them manage and grow their business.

Zillow Mortgage Marketplace

In Zillow Mortgage Marketplace, consumers request free, personalized quotes in response to their submission of limited anonymous data, such as specific loan amount, zip code, purchase price or estimated home value, and credit score. For the year ended December 31, 2012, consumers submitted nearly 12 million mortgage loan requests in Zillow Mortgage Marketplace. Consumers decide if and when to contact the mortgage professionals who provide quotes. Usergenerated ratings and reviews of mortgage professionals are provided as a powerful tool to help consumers shop for their loans.

Display Advertising

Our display advertising primarily consists of graphical mobile and web advertising sold on a cost per thousand impressions ("CPM") basis. We offer customers display advertising opportunities on our mobile applications through display ads that are optimized for the mobile experience, on our home page, and on individual web pages, through graphical displays and text links.

Information Products and Services

We provide consumers with information products and services to enable them to make intelligent decisions about homes.

Zestimates and Rent Zestimates

Our Zestimate and Rent Zestimate valuations are computed using complex, proprietary algorithms we have developed and refined through years of statistical analysis and technological development.

A Zestimate is our estimated current market value of a home. We generate Zestimates using proprietary information, including:

- Physical attributes: location, lot size, square footage, number of bedrooms and bathrooms and many other details.
- Tax assessments: property tax information, actual property taxes paid, exceptions to tax assessments and other information provided in the tax assessors' records.
- Prior and current transactions: actual sale prices over time of the home itself and comparable recent sales of nearby homes.

We use proprietary automated valuation models that apply advanced algorithms to analyze our data to identify relationships within a specific geographic area between home-related data and actual sales prices. Home characteristics, such as square footage, location or the number of bathrooms, are given different weights according to their influence on home sale prices in each specific geography over a specific period of time, resulting in a set of valuation rules, or models, that are applied to generate each home's Zestimate.

To improve the accuracy of our Zestimates, our algorithms automatically remove or reconcile data that would otherwise inappropriately skew the valuation rules. In addition, our algorithms will automatically generate a new set of valuation rules based on the constantly changing universe of data included in our database. This allows us to provide timely home value information on a massive scale, updated three times a week.

We publicly disclose the accuracy of our Zestimates to further empower consumers in assessing a home's value. The accuracy may be impacted by a variety of factors, including the amount of data about homes we have for a particular geographic area.

A Rent Zestimate is our estimated current monthly rental price of a home, computed using similar automated valuation models we have designed to address the unique attributes of a rental home. We estimate rental prices on approximately 100 million homes, including apartments, single-family homes, condominiums and townhomes.

Digs Estimates

With Zillow Digs, home shoppers and homeowners can find visual inspiration and understand the real cost of remodeling projects. Users can browse tens of thousands of photos and see Zillow's proprietary Digs Estimates for the estimated cost, based on where they live, of the actual bathrooms and kitchens they are viewing. Unique to Zillow, Digs Estimates give consumers the estimated cost of thousands of real bathrooms and kitchens in Zillow Digs' ever-increasing portfolio of photos and are computed using Zillow's proprietary algorithm, which includes real-world data from local contractors such as size, materials, finish level, and regional labor and material rates. The Digs Estimates' patent-pending technology helps home shoppers and homeowners create more realistic budgets appropriate for their specific market.

Rich, Searchable Home-Related Data and Analysis

We provide consumers and real estate professionals with a rich set of home-related information. Through our mobile applications or websites, users can access detailed information about homes, including:

Value Information	Zestimate Rent Zestimate For sale price Estimated mortgage payment Rental price Make Me Move price Easy links to county assessor records Digs Estimates	Prior sale prices Historical Zestimate values Historical Rent Zestimate values Zillow Home Value Index Zillow Home Value Index Forecasts Tax-assessed value Property taxes paid
Home Details	Bedrooms Bathrooms Square footage Lot size Year built Property type County Parcel number Legal description	Number of stories Number of units in building Finished basement Cooling system Heating system Heat source Fireplace Exterior material Parking type
Neighborhood Information	School district Elementary school Middle school	High school Walkability Transit access
Listing Details	Price Listing agent information Listing brokerage information Link to listing source Rent amount	Price reductions Days on Zillow MLS number Foreclosure stage and details

Consumers and real estate professionals can update property information by, for example, adding home photos and personalized information regarding the neighborhood or school district, creating exclusive home profiles available nowhere else.

Our map-based user interface enables our users to search, navigate and zoom to areas of interest and find and compare home information quickly and efficiently from a variety of different perspectives across homes, neighborhoods, cities, counties and other geographical regions. Our consumer search experience supports complex search queries and filters across our data set of homes, allowing consumers to customize their searches and gain actionable insights.

Our team of economists and statisticians generates unbiased local and national real estate data and analysis on 371 metropolitan areas and approximately 9,700 individual neighborhoods that we provide to consumers and real estate, mortgage and rental professionals at no cost. This gives our users access to local market trends and data, such as home price cuts, list to sale price ratio and foreclosure data that was historically not easily obtained, if available at all. Users can compare these metrics across neighborhoods and different time periods using our real-time charting and filtering.

For Sale and Rental Listings

We provide comprehensive for sale and rental listings through relationships with real estate brokerages, real estate listings aggregators, multiple listing services, apartment management companies, home builders and other third-parties. In addition, we provide consumers with access to exclusive home listings, such as our Make Me Move listings, which are a homeowner's posted price at which they would be willing to move. We also show listings that may not be available on other sources, such as for sale by owner, foreclosure and rental listings. Real estate agents and landlords may feature and gain more exposure for their listings through our advertising products.

A substantial portion of the listings displayed on our mobile applications and websites are provided to us pursuant to a Platform Services Agreement with Threewide Corporation. Under the terms of this agreement, Threewide granted to us a nonexclusive license to display listings on our mobile applications and websites. This agreement has a 48-month term, beginning in April 2011, and renews automatically for additional one year terms unless canceled by either party with 90 days prior notice, subject to earlier termination under limited circumstances.

Marketplace of Real Estate Agents

We present consumers with ratings and contact information for the listing agent and local buyer's agents alongside home profiles and listings for homes to assist them in evaluating and selecting the real estate agent best suited for them. We enhance this offering by providing an online professional directory for consumers to search and contact real estate professionals that they might wish to engage. Our directory includes rich profiles of real estate professionals, including nearly 225,000 ratings and reviews provided by our users, allowing consumers to evaluate these agents based on a number of criteria, including neighborhood specialization, number of listings and number of contributions to Zillow Advice.

Home-Related Advice and Discussions

Consumers have many questions and often seek advice during various stages of their home-ownership lifecycle. The Zillow Advice section of our Zillow.com website captures questions and discussion topics from our users, both consumers and real estate, mortgage and rental professionals. This allows our consumers to ask questions of other consumers and real estate, rental, mortgage and home improvement professionals and quickly learn more about relevant topics. Our users have submitted more than 635,000 questions and answers to Zillow Advice as of December 31, 2012. Zillow Advice also provides real estate, mortgage and rental professionals with an opportunity to help educate consumers and demonstrate their local expertise. These discussions and content are also indexed and searchable by geography and other custom parameters, allowing users to quickly find the information they seek. Email updates are used to provide ongoing monitoring and delivery of posts related to topics of interest.

Mobile Access

We operate the most popular suite of mobile real estate applications across all major mobile platforms. Our mobile real estate applications provide consumers and real estate, mortgage and rental professionals with location-based access to many of our products and services, including Zestimates, Rent Zestimates, for sale and rental listings and extensive home-related data. Through our mobile applications, for example, a consumer standing curbside at a home for sale can learn about the home's for-sale price, Zestimate, number of bedrooms, square footage and past sales, as well as similar information about surrounding homes. The consumer can call a real estate professional through our mobile applications to get more information or schedule a showing. During December 2012, 143 million homes were viewed on Zillow on a mobile device.

Marketing

At Zillow, marketing starts with product development. We create compelling consumer products that people want to talk about and share. This enables us to execute a robust and viral communications program that is the primary driver of our brand and traffic acquisition efforts. We launched the consumer brand with communications at the core of our marketing strategy, which has allowed us to grow to more than 34.5 million average monthly unique users for the three months ending December 31, 2012. The majority of our traffic and brand awareness comes direct, with demonstrated consumer intent to visit the Zillow brand.

Our communications team includes former print and broadcast journalists who have established Zillow as an authoritative source for information on a broad range of home and real estate-related subjects. A typical week includes commentary from our real estate experts across dozens of national print and broadcast media outlets, guest opinion pieces or blog posts by our chief economist, and wide-ranging national and local media coverage of Zillow products, listings, data and consumer tips. We also produce considerable home and real estate-related content on Zillow Blog that is syndicated across dozens of prominent media sites. Zillow Blog content ranges from real estate market trends, to home financing tips, to celebrity real estate listings.

We focus substantial public relations effort around the marketing of our Zillow Real Estate Market Reports, which are in-depth reports produced by our economics and analytics bureau for 276 U.S. markets. Data is released on a monthly and quarterly basis, and Zillow data is widely used by government entities such as the Federal Reserve and Congressional Oversight Panel, as well as regularly featured in respected media outlets such as the Wall Street Journal, New York Times, Bloomberg, Reuters and across numerous national network and cable news shows including CNBC, CNN, Fox News, Bloomberg and MSNBC. We believe the considerable effort we have spent on public relations and social media has allowed us to build a large and credible brand.

Our living database of homes creates significant opportunities for home-ownership lifecycle marketing. A typical person will at various times in life be a renter, buyer, homeowner, remodeler, mortgage refinancer or seller, and this presents opportunities to communicate with consumers over many years, not just during a transaction. We actively segment and communicate with our users through email and social media channels.

We believe Zillow has considerable opportunity to increase brand awareness and grow traffic through product development, targeted advertising programs and strategic partnerships. As such, we also selectively advertise to consumers and professionals in various online and offline channels that have tested well for us, as well as pursue strategic partnerships that drive traffic and brand awareness for Zillow.

Sales and Customer Support

Our sales team is responsible for generating advertising customers across our mobile applications and websites.

We primarily use a Seattle-based sales team to sell Premier Agent subscriptions to real estate agents, and in July 2012 we opened a new office in Irvine, California, where we are currently growing our sales team. We also have offices in Lincoln, Nebraska, and San Francisco, California, that support sales in our mortgage and rental marketplaces. We attract customers through a combination of outbound calling and inbound customer requests generated from our websites and event marketing activities. We also maintain a field sales team in New York, New York, with additional offices in Chicago, Illinois, and San Francisco, California, to specifically target larger advertising customers in the real estate and related content categories, such as real estate brokerages, home builders, lenders and home service providers, as well as advertisers in the telecommunications, automotive, insurance and other industries.

As part of our sales and distribution strategy, we entered into a strategic relationship with Yahoo! Inc. that launched in the first quarter of 2011. Our sales team serves as the exclusive sales force for real estate agent advertising and certain graphical advertising on the Yahoo! Real Estate site.

We believe that customer support is important to our success. Our customer support team, which is located primarily in Seattle, responds to commercial, technical and consumer issues from our user community and advertisers. The Zillow Advice forum augments our direct customer support by enabling consumers to obtain answers to questions from our employees and other members of our user community, including real estate, mortgage and rental professionals.

Technology and Infrastructure

Zillow is a data- and technology-driven company. Our technical infrastructure, mobile applications and websites are built to provide consumers and real estate, mortgage and rental professionals with access to rich real estate data and powerful online tools to help them accomplish their home-related goals. Many of our services are available through real-time web-based application programming interfaces that allow our information to be easily integrated into third-party websites. We provide HTML and JavaScript-based widgets to allow easy integration of Zillow information onto other websites, with little custom programming. Our technology platform is built using industry-leading third-party software and internally developed software as well as open source technologies. This combination allows for rapid development and release of high-performance software in a cost-effective and scalable manner. For information about our research and development costs, see Note 2 of the accompanying notes to our financial statements included within this annual report.

Our websites are primarily hosted at a third-party facility located in the Seattle area. Additionally, we utilize a third-party web service for cloud computing and storage to assist in service growth and redundancy. Content delivery network solutions have been put in place to ensure fast and local access to content. Development and test environments are located in a data center we manage at our corporate headquarters.

Intellectual Property

We protect our intellectual property through a combination of trademarks, trade dress, domain names, copyrights, trade secrets and patents, as well as contractual provisions and restrictions on access to our proprietary technology.

Our trademarks registered in the United States and several other jurisdictions include "Zillow," "Zillow.com," "Zestimate," "Postlets," "Diverse Solutions," "RentJuice," and the Zillow logo. We also have filed other trademark applications in the United States and certain other jurisdictions and will pursue additional trademark registrations to the extent we believe it will be beneficial and cost-effective.

We have four patents issued in the United States, two of which expire in 2026, one that expires in 2027, one that expires in 2029, and one patent issued in Australia that expires in 2027. These cover proprietary techniques that relate to determining a current value for a real estate property, performing summarization of geographic data points in response to zoom selection, the incorporation of individual aerial images and incorporating visual information into a master planar image, and the collection, storage and display of home attribute values. We have 14 patent applications pending in the United States, which seek to cover proprietary techniques relevant to our products and services. We intend to pursue additional patent protection to the extent we believe it will be beneficial and cost-effective.

We are the registered holder of a variety of domestic and international domain names that include "Zillow.com," "Postlets.com," "DiverseSolutions.com," "Buyfolio.com," "Mortech.com," "HotPads.com," our other trademarks, and similar variations.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners. Our employees and contractors are also subject to invention assignment provisions. We further control the use of our proprietary technology and intellectual property through provisions in both our general and product-specific terms of use on our mobile applications and websites.

Competition

We face competition to attract consumers to our mobile applications and websites and to attract advertisers to purchase our advertising products and services.

Competition for Consumers

We compete for the attention of consumers with companies that operate, or could develop, national and local real estate, mortgage and rental mobile applications and websites. We compete for consumers primarily on the basis of the quality of the consumer experience, the utility of the data and services we provide, the breadth, depth and accuracy of information, and brand awareness and reputation. We believe we compete favorably on these factors.

Competition for Advertisers

We compete for advertising customers, such as real estate professionals, with media sites, including companies dedicated to providing mobile and webbased real estate, mortgage and rental information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers' overall marketing budgets with traditional media such as newspapers, television, magazines, and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate agents, mortgage lenders, property managers or rental agents to advertise their qualifications or listings. We compete for advertising revenue based on perceived return on investment, the effectiveness and relevance of our advertising products, pricing structure and our ability to effectively deliver types of ads to targeted demographics. We believe we compete favorably on these factors.

Government Regulation

We are affected by laws and regulations that apply to businesses in general, as well as to businesses operating on the Internet. This includes a continually expanding and evolving range of laws, regulations and standards that address information security, data protection, privacy, consent and advertising, among other things. By providing a medium through which users can post content and communicate with one another, we may also be subject to laws governing intellectual property ownership, obscenity, libel, and privacy, among other issues. In addition, the real estate agents, mortgage brokers, banks, property managers, rental agents and some of our other customers and advertisers on our mobile applications and websites are subject to various state and federal laws and regulations relating to real estate, mortgages and rentals. While we do not believe that we are currently subject to these regulations, we intend to ensure that any content created by Zillow is consistent with them by obtaining assurances of compliance from our advertisers and customers for their activities through, and the content they provide on, our mobile applications and websites. Since the laws and regulations governing real estate, mortgages and rentals are constantly evolving, it is possible that some part of our business activities could fall within the scope of regulation or be prohibited altogether at some point in the future.

Employees

As of December 31, 2012, we had 560 full-time employees.

Where You Can Find More Information

Our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available on our website at www.zillow.com, free of charge, as soon as reasonably practicable after the electronic filing of these reports with the Securities and Exchange Commission. The information contained on our website is not a part of this annual report on Form 10-K.

Item 1A. Risk Factors

Our business is subject to numerous risks. You should carefully consider the following risk factors, as any of these risks could harm our business, results of operations, and financial condition and our prospects. In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Risks Related to Our Business

If Real Estate and Mortgage Professionals or Other Advertisers Reduce or End Their Advertising Spending With Us and We are Unable to Attract New Advertisers, Our Business Would be Harmed.

Our current financial model depends on advertising revenue generated primarily through sales to real estate agents and brokerages, mortgage lenders and advertisers in categories relevant to real estate. Our ability to attract and retain advertisers, and ultimately to generate advertising revenue, depends on a number of factors, including:

- · increasing the number of consumers of our products and services;
- competing effectively for advertising dollars with other online media companies;
- · continuing to develop our advertising products and services, including the expansion of those products and services to new advertising customers;
- · keeping pace with changes in technology and with our competitors; and
- offering an attractive return on investment to our advertisers for their advertising spending with us.

We do not have long-term contracts with most of our advertisers. Our advertisers could choose to modify or discontinue their relationships with us with little or no advance notice. In addition, as existing subscriptions for our Premier Agent program expire, we may not be successful in renewing these subscriptions, securing new subscriptions or increasing the amount of revenue we earn for a given subscription over time. We may not succeed in retaining existing advertisers' spending or capturing a greater share of such spending if we are unable to convince advertisers of the effectiveness or superiority of our products as compared to alternatives, including traditional offline advertising media such as television and newspapers. In addition, future changes to our pricing methodology for advertising services may cause advertisers to reduce their advertising with us or choose not to advertise with us. If current advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our advertising revenue and business, results of operations and financial condition would be harmed. In addition, if we do not realize the benefits we expect from strategic relationships we enter into, including for example, the generation of additional advertising revenue opportunities, our business could be harmed.

If We do Not Innovate and Provide Products and Services that are Attractive to Our Users and to Our Advertisers, Our Business Could be Harmed.

Our success depends on our continued innovation to provide products and services that make our mobile applications and websites useful for consumers and real estate, rental, mortgage and home improvement professionals, and attractive to our advertisers. As a result, we must continually invest significant resources in research and development in order to improve the attractiveness and comprehensiveness of our products and services and effectively incorporate new mobile and Internet technologies into them. If we are unable to provide products and services that users, including real estate professionals, want to use, then users may become dissatisfied and use competitors' mobile applications and websites. If we are unable to continue offering innovative products and services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which could harm our business, results of operations and financial condition.

We may Make Acquisitions and Investments, which could Result in Operating Difficulties, Dilution and Other Harmful Consequences.

We continue to evaluate a wide array of potential strategic opportunities. For example, in 2012, we acquired RentJuice Corporation, The Guru Group, LLC (dba Buyfolio.com), Mortech, Inc. and Hotpads.com. Any transactions that we enter into could be material to our financial condition and results of operations. The acquisitions may not result in the intended benefits to our business, and we may not successfully evaluate or utilize the acquired products, technology, or personnel, or accurately forecast the financial impact of an acquisition transaction. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. The areas where we face risks include:

- · diversion of management time and focus from operating our business to acquisition integration challenges;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- retention of employees from the acquired company;
- · liability for activities of the acquired company before the acquisition;
- litigation or other claims arising in connection with the acquired company;
- · impairment charges associated with goodwill and other acquired intangible assets; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business, results of operations and financial condition.

We may be Unable to Increase Awareness of the Zillow Brand Cost-effectively, which could Harm Our Business.

We rely heavily on the Zillow brand, which we believe is a key asset of our company. Awareness and perceived quality and differentiation of the Zillow brand are important aspects of our efforts to attract and expand the number of consumers who use our mobile applications and websites. Should the competition for awareness and brand preference increase among providers of mobile or online real estate information, we may not be able to successfully maintain or enhance the strength of our brand. We expect to continue to increase our paid advertising. The results of increased paid advertising may not be successful or cost-effective. If we are unable to maintain or enhance user and advertiser awareness of our brand cost-effectively, our business, results of operations and financial condition could be harmed.

We have Incurred Significant Operating Losses in the Past, and We may Not be Able to Generate Sufficient Revenue to be Profitable Over the Long Term.

We have incurred significant net operating losses in the past and, as of December 31, 2012, we had an accumulated deficit of \$71.7 million. Although we have experienced significant growth in our revenue, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. At the same time, we also expect our costs to increase in future periods as we continue to expend substantial financial resources to develop and expand our business, including on:

- · product development;
- sales and marketing;
- our technology infrastructure;

- strategic opportunities, including commercial relationships and acquisitions; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we fail to continue to grow our revenue and overall business and to manage our expenses, we may incur significant losses in the future and not be able to maintain profitability.

We are Dependent on the Real Estate Industry, and Changes to that Industry, or Declines in the Real Estate Market or Increases in Mortgage Interest Rates, Could Reduce the Demand for Our Products and Services.

Our financial prospects are significantly dependent on real estate shoppers using our services. Real estate shopping patterns depend on the overall health of the real estate market. Changes to the regulation of the real estate industry, including mortgage lending, may negatively impact the prevalence of home ownership. Changes to the real estate industry, declines in the real estate market or increases in mortgage interest rates could reduce demand for our services. Real estate markets also may be negatively impacted by a significant natural disaster, such as earthquake, fire, flood or other disruption.

We may be Unable to Maintain or Establish Relationships With Real Estate Brokerages, Real Estate Listing Aggregators, Multiple Listing Services, Property Management Companies, Home Builders and Other Third-Party Listing Providers, Which Could Limit the Information We are Able to Provide to Our Users.

Our ability to attract users to our mobile applications and websites depends to some degree on providing a robust number of for-sale and rental listings. To provide these listings, we maintain relationships with real estate brokerages, real estate listing aggregators, multiple listing services, property management companies, home builders, other third-party listing providers, and homeowners and their real estate agents to include listing data in our services. Many of our agreements with real estate listing providers are short-term agreements that may be terminated with limited notice. The loss of some of our existing relationships with listing providers, whether due to termination of agreements or otherwise, or an inability to continue to add new listing providers, may cause our listing data to omit information important to users of our products and services. This could reduce user confidence in the sale and rental data we provide and make us less popular with consumers, which could harm our business, results of operations and financial condition.

We currently depend on a single real estate listing aggregator to provide us with a substantial portion of the listings in our database. As we have transitioned sales of our Platinum Premier Agent subscription product to charging for the number of impressions delivered on our buyer's agent list in zip codes purchased, these listings provide for revenue generating opportunities as impressions are delivered through our mobile applications and websites. While these listings are available from their original sources, it would take substantial time and effort for us to aggregate these listings from all of the original sources. Therefore, if the agreement with our largest real estate listing aggregator is terminated, we may not be able to fully replace the listings in a timely manner or on terms favorable to us, or at all, which could harm our business, results of operations and financial condition.

We may be Unable to Maintain or Establish Relationships With Data Providers, which could Limit the Information We are Able to Provide to Our Users and Impair Our Ability to Attract or Retain Users.

We obtain real estate data, such as sale transactions, property descriptions, tax-assessed value and property taxes paid, under licenses from third-party data providers. We use this data to enable the development, maintenance and improvement of our information services, including Zestimates and Rent Zestimates and our living database of homes. We have invested significant time and resources to develop proprietary algorithms, valuation models, software and practices to use and improve upon this specific data. We may be unable to renew our licenses with these data providers, or we may be able to do so only on terms that are less favorable to us, which could harm our ability to continue to develop, maintain and improve these information services and could harm our business, results of operations and financial condition.

We may in the Future be Subject to Disputes Regarding the Accuracy of Our Zestimates and Rent Zestimates.

We provide our users with Zestimate and Rent Zestimate home and rental valuations. A Zestimate is our estimated current market value of a home based on our proprietary automated valuation models that apply advanced algorithms to analyze our data; it is not an appraisal. A Rent Zestimate is our estimated current monthly rental price of a home, using similar automated valuation models that we have designed to address the unique attributes of rental homes. Revisions to our automated valuation models, or the algorithms that underlie them, may cause certain Zestimates or Rent Zestimates to vary from our expectations for those Zestimates or Rent Zestimates. In addition, from time to time, users disagree with our Zestimates and Rent Zestimates. Any such variation in Zestimates or Rent Zestimates or disagreements could result in distraction from our business or potentially harm our reputation and could result in legal disputes.

We Face Competition to Attract Consumers to Our Mobile Applications and Websites, which could Impair Our Ability to Continue to Grow the Number of Users Who Use Our Mobile Applications and Websites, Which Would Harm Our Business, Results of Operations and Financial Condition.

Our success depends on our ability to continue to attract additional consumers to our mobile applications and websites. Our existing and potential competitors include companies that operate, or could develop, national and local real estate, rental, mortgage or home improvement websites. These companies could devote greater technical and other resources than we have available, have a more accelerated time frame for deployment, and leverage their existing user bases and proprietary technologies to provide products and services that consumers might view as superior to our offerings. Any of our future or existing competitors may introduce different solutions that attract consumers or provide solutions similar to our own but with better branding or marketing resources. If we are unable to continue to grow the number of consumers who use our mobile applications and websites, our business, results of operations and financial condition would be harmed.

We may be Unable to Compete Successfully Against Our Existing or Future Competitors in Attracting Advertisers, which could Harm Our Business, Results of Operations and Financial Condition.

We compete to attract advertisers with media sites, including websites dedicated to providing real estate, rental, mortgage and home improvement information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers' overall marketing budgets with traditional media such as television, magazines, newspapers and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate professionals to advertise their qualifications and listings. Large companies with significant brand recognition have large numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic, which may provide a competitive advantage. To compete successfully for advertisers against future and existing competitors, we must continue to invest resources in developing our advertising platform and proving the effectiveness and relevance of our advertising products and services. Pressure from competitors seeking to acquire a greater share of our advertisers' overall marketing budget could adversely affect our pricing and margins, lower our revenue, and increase our research and development and marketing expenses. If we are unable to compete successfully against our existing or future competitors, our business, financial condition or results of operations would be harmed.

Our Dedication to Making Decisions Based Primarily on the Best Interests of Consumers may Cause Us to Forgo Short-Term Gains.

Our guiding principle is to build our business by making decisions based primarily upon the best interests of consumers, which we believe has been essential to our success in increasing our user growth rate and engagement and has served the long-term interests of our company and our shareholders. In the past, we have forgone, and we will in the future forgo, certain expansion or short-term revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term. In addition, our philosophy of putting consumers first may negatively impact our relationships

with our existing or prospective advertisers. This could result in a loss of advertisers which could harm our revenue and results of operations. For example, we believe that some real estate agents have chosen not to purchase our Premier Agent subscriptions because we display a Zestimate on their for-sale listings. However, we believe it is valuable to consumers to have access to a valuation starting point on all homes, and so we display a Zestimate on every home in our database for which we have sufficient data to produce the Zestimate. Similarly, we gather and make available to our consumers reviews on real estate, rental, mortgage and home improvement professionals, even if those reviews are unfavorable. Although real estate, rental, mortgage and home improvement professionals who receive unfavorable reviews may be less likely to purchase our advertising products and services, we continue to post favorable and unfavorable reviews because we believe the reviews are useful to consumers in finding the right professional. Our principle of making decisions based primarily upon the best interests of consumers may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business and results of operations could be harmed.

If We Fail to Manage Our Growth Effectively, Our Brand, Results of Operations and Business Could be Harmed.

We have experienced rapid growth in our headcount and operations, which places substantial demand on management and our operational infrastructure. The majority of our employees have been with us for fewer than two years. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the beneficial aspects of our company culture. In particular, we intend to pursue strategic opportunities and make substantial investments in our technology and development and sales and marketing organizations. If we do not manage the growth of our business and operations effectively, the quality of our services and efficiency of our operations could suffer, which could harm our brand, results of operations and overall business.

If Use of Mobile Technology and the Internet, Particularly with Respect to Real Estate Products and Services, Does Not Continue to Increase as Rapidly as We Anticipate, Our Business could be Harmed.

Our future success is substantially dependent on the continued use of mobile technology and the Internet as effective media of business and communication by our consumers. Mobile technology and Internet use may not continue to develop at historical rates, and consumers may not continue to use mobile technology or the Internet as media for information exchange. Further, these media may not be accepted as viable long-term outlets for information for a number of reasons, including actual or perceived lack of security of information and possible disruptions of service or connectivity. If consumers begin to access real estate information through other media and we fail to innovate, our business may be negatively impacted.

We Rely on the Performance of Highly Skilled Personnel, and if We are Unable to Attract, Retain and Motivate Well-Qualified Employees, Our Business could be Harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our management and our highly skilled team of employees, including our software engineers, statisticians, marketing professionals and advertising sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The loss of any of our senior management or key employees could materially adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be harmed.

Any Significant Disruption in Service on Our Mobile Applications or Websites or in Our Network could Damage Our Reputation and Brand, and Result in a Loss of Users of Our Products and Services and of Advertisers, which could Harm Our Business, Results of Operations and Financial Condition.

Our brand, reputation and ability to attract users and advertisers depend on the reliable performance of our network infrastructure and content delivery processes. We have experienced minor interruptions in these systems in the past, including server failures that temporarily slowed the performance of our mobile applications and websites, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses, software errors or physical or electronic break-ins, could affect the security or availability of our products and services on our mobile applications and websites and prevent or inhibit the ability of users to access our services. Since our users may rely on our products and services, including our customer relationship management tools, for important aspects of their businesses, problems with the reliability, availability or security of our systems could damage our users' businesses, harm our reputation, result in a loss of users of our products and services and result in additional costs, any of which could harm our business, results of operations and financial condition.

The majority of the communications, network and computer hardware used to operate our mobile applications and websites are located at facilities in the Seattle area. We do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur.

A failure of our systems at one site could result in reduced functionality for our users, and a total failure of our systems could cause our mobile applications or websites to be inaccessible. Problems faced by our third-party web hosting providers with the telecommunications network providers with which they contract or with the systems by which they allocate capacity among their customers, including us, could adversely affect the experience of our users. Our third-party web hosting providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy reorganization, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing needs for capacity, this could harm our business. In addition, if distribution channels for our mobile applications experience disruptions, such disruptions could adversely affect the ability of users and potential users to access or update our mobile applications, which could harm our business.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, which may result from interruptions in our service as a result of system failures. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and harm our business, results of operations and financial condition.

We are Subject to a Variety of Federal and State Laws, Many of which are Unsettled and Still Developing and which could Subject Us to Claims or Otherwise Harm Our Business.

We are subject to a variety of federal and state laws that are continuously evolving and developing, including laws regarding the real estate, rental, mortgage and home improvement industries, Internet-based businesses and other businesses that rely on advertising. These laws can be costly to comply with, can require significant management time and effort, and can subject us to claims or other remedies. These laws may conflict with each other, and if we comply with the laws of one jurisdiction, we may find that we are violating laws of another jurisdiction. Additionally, our ability to provide a specific target audience to advertisers is a significant competitive advantage. Any legislation reducing this ability would have a negative impact on our business and results of operations.

If we are unable to comply with these laws or regulations, if we become liable under these laws or regulations, or if unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies are implemented, we could be directly harmed and forced to implement new measures to reduce our exposure to this liability and it could cause the development of product or service offerings in affected markets to become impractical. This may require us to expend substantial resources or to discontinue certain products or services, limit our ability to expand our product and services offerings, or expand into new markets or otherwise harm our business, results of operations and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and results of operations.

We assist with the processing of customer credit card transactions which results in us receiving personally identifiable information. This information is increasingly subject to legislation and regulation in the United States. This legislation and regulation is generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information.

We may be Unable to Continue to Use the Domain Names that We Use in Our Business, or Prevent Third Parties from Acquiring and Using Domain Names that Infringe on, are Similar to, or Otherwise Decrease the Value of Our Brand or Our Trademarks or Service Marks.

We have registered domain names for our websites that we use in our business. If we lose the ability to use a domain name, we may incur significant expenses to market our products and services under a new domain name, which could harm our business. In addition, our competitors could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names and determining the rights of others may require litigation, which could result in substantial costs and diversion of management's attention.

We may be Unable to Adequately Protect Our Intellectual Property, which could Harm the Value of Our Brand and Our Business.

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and contracts to protect our proprietary rights. If we are not successful in protecting our intellectual property, the value of our brand and our business, results of operations and financial condition could be harmed.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that our operations do not, or will not, infringe valid, enforceable patents of third parties or that competitors will not devise new methods of competing with us that are not covered by our patents or patent applications. There also can be no assurance that our patent applications will be approved, that any patents issued will adequately protect our intellectual property, that such patents will not be challenged by third parties or found to be invalid or unenforceable, or that our patents will be effective in preventing third parties from utilizing a "copycat" business model to offer the same products or services. Moreover, we rely on intellectual property and technology developed or licensed by third parties, and we may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all.

Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services may be provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions, we may be unable to protect intellectual property and our proprietary technology adequately against unauthorized

third-party copying or use, which could harm our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. To the extent third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events could harm our business, results of operations or financial condition.

Intellectual Property Disputes are Costly to Defend and could Harm Our Business, Results of Operations, Financial Condition and Reputation.

From time to time, we face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We are currently subject to patent infringement claims. These claims allege, among other things, that aspects of our technology infringe upon the plaintiffs' patents. If we are not successful in defending ourselves against these claims, we may be required to pay damages and may be subject to injunctions, each of which could harm our business, results of operations, financial condition and reputation. We may be subject to future claims or allegations relating to our intellectual property rights. As we grow our business and expand our operations, we expect that we will continue to be subject to intellectual property claims and allegations. Patent and other intellectual property disputes or litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain products, services or features, purchase licenses which may be expensive to procure, or modify our products or services. In addition, patent or other intellectual property disputes or litigation may result in significant settlement costs. Any of these events could harm our business, results of operations, financial condition and reputation.

In addition, we use open source software in our services and will continue to use open source software in the future. From time to time, we may be subject to claims brought against companies that incorporate open source software into their products or services, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license, or require us to devote additional research and development resources to changing our products or services, any of which would have a negative effect on our business and results of operations.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could harm our business, results of operations, financial condition and reputation.

Confidentiality Agreements with Employees and Others may not Adequately Prevent Disclosure of Trade Secrets and Other Proprietary Information.

In order to protect our technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. To the extent that our employees, contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. The loss of trade secret protection could make it easier for third parties to compete with our products by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations, reputation and competitive position.

We may be Unable to Halt the Operations of Websites that Aggregate or Misappropriate Our Data.

From time to time, third parties have misappropriated our data through website scraping, robots or other means, and aggregated this data on their websites with data from other companies. In addition, copycat websites have misappropriated data on our network and attempted to imitate our brand or the functionality of our websites. When we have become aware of such websites, we have employed technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may not be adequate to protect us against the impact of the operation of such websites. Regardless of whether we can successfully enforce our rights against the operators of these websites, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

If Our Security Measures are Compromised, Consumers may Curtail Use of Our Products and Services and Advertisers may Reduce their Advertising on Our Mobile Applications and Websites.

Our products and services involve the storage and transmission of users' information, some of which may be private, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability and litigation. For example, a hacker could steal a user's profile password and manipulate information about that user's home or post to a forum while posing as that user. Like all websites, our websites are vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks, and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personal or other confidential information. Further, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our information or our users' or advertisers' information. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our websites or mobile applications, or the loss or unauthorized disclosure of confidential information, our users and advertisers may lose trust and confidence in us, and users may decrease the use of our websites or mobile applications or stop using our websites or mobile applications in their entirety, and advertisers may decrease or stop advertising on our websites or mobile applications. In January 2013, for example, we detected an anonymous user within our externally facing web services, which do not host any customer or financial data. Upon detection, the anonymous user was quarantined and security incident response procedures were executed. As a result of the unauthorized access, we have implemented additional security measures to further enhance security over our internet facing services. This incident did not have a material adverse

However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address all these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new users and increase engagement by existing users, cause existing users to curtail or stop use of our products or services or close their accounts, cause existing advertisers to cancel their contracts, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business, results of operations and financial condition.

We are Subject to a Number of Risks Related to the Credit Card and Debit Card Payments We Accept.

We accept payments through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either

increase the prices we charge or suffer an increase in our operating expenses, either of which could harm our business, financial condition and results of operations.

We depend on processing vendors to complete credit and debit card transactions. If we or our processing vendors fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers' credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors. Any failure to comply fully also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, card holders and transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

If we are unable to maintain our chargeback rate or refund rates at acceptable levels, our processing vendors may increase our transaction fees or terminate their relationships with us. Any increases in our credit and debit card fees could harm our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We have Pledged Substantially all of Our Assets to Secure Indebtedness.

In March 2011, we entered into a loan and security agreement with a financial institution to establish a \$4.0 million line of credit. In April 2012, we amended our loan and security agreement to increase our line of credit from \$4.0 million to \$25.0 million. Indebtedness we incur under this agreement is secured by substantially all of our assets, including our intellectual property. If we default on our obligations under this agreement, the financial institution may foreclose on our assets, which would materially and adversely impact our business. As of December 31, 2012, there were no amounts outstanding under the line of credit.

In March 2011, we executed a standby letter of credit of \$1.5 million in connection with the lease of our Seattle offices, and in July 2012, we amended the standby letter of credit to increase the amount to approximately \$1.7 million. In November 2012, we executed a letter of credit of approximately \$0.2 million in connection with the lease of our San Francisco office. We also have four additional outstanding letters of credit totaling \$0.6 million as of December 31, 2012, payable to the landlord of our prior headquarters office in Seattle, Washington, in the event we default on our lease, which expires in February 2013.

We Expect Our Results of Operations to Fluctuate on a Quarterly and Annual Basis.

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside our control. The other risk factors discussed in this "Risk Factors" section may contribute to the variability of our quarterly and annual results. In addition, our results may fluctuate as a result of fluctuations in the quantity of, and the price at which we are able

to sell, our remnant advertising and the size and seasonal variability of our advertisers' marketing budgets. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied upon as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

Our Ability to Use Our Net Operating Loss Carryforwards and Certain Other Tax Attributes may be Limited.

At December 31, 2012, we had federal net operating loss carryforwards of approximately \$11.7 million and tax credit carryforwards of approximately \$1.3 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income or income tax liability may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by certain "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. If we experience one or more ownership changes in the future as a result of future transactions in our stock, our ability to utilize net operating loss carryforwards could be limited. Furthermore, our ability to utilize net operating loss carryforwards of any companies that we have acquired or may acquire in the future may be limited. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards, other pre-change tax attributes, or net operating loss carryforwards of any acquired companies to offset our federal taxable income or reduce our federal income tax liability may be subject to limitation.

The Requirements of Being a Public Company may Strain Our Resources and Distract Our Management, which could Make It Difficult to Manage Our Business.

We are required to comply with various regulatory and reporting requirements, including those required by the Securities and Exchange Commission, or the SEC. Complying with these reporting and other regulatory requirements can be time-consuming and results in increased costs to us and could harm our business, results of operations and financial condition.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These requirements could strain our systems and resources. The Exchange Act also requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Exchange Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have committed significant resources, hired additional staff and provided additional management oversight. We have implemented additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth will require us to commit additional management, operational and financial resources to identify new professionals to join us and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns and could make it difficult to manage our business, which could harm our business, results of operations, financial condition and cash flows. In addition, if we identify any material weaknesses in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the market price of our Class A common stock to decline.

Risks Related to Ownership of Our Class A Common Stock

Our Stock Price may be Volatile, and the Value of an Investment in Our Common Stock may Decline.

An active, liquid and orderly market for our Class A common stock may not be sustained, which could depress the trading price of our Class A common stock. The trading price of our Class A common stock has at

times experienced substantial price volatility and may continue to be volatile. For example, since shares of our Class A common stock were sold in our initial public offering in July 2011 at a price of \$20.00 per share, the closing price of our Class A common stock has ranged from \$21.63 per share through December 31, 2012. The market price of our Class A common stock could be subject to wide fluctuations in response to many of the risk factors discussed in this Annual Report on Form 10-K and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and results of operations;
- · changes in projected operational and financial results;
- · addition or loss of significant customers;
- actual or anticipated changes in our growth rate relative to that of our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- announcements of technological innovations or new offerings by us or our competitors;
- additions or departures of key personnel;
- changes in laws or regulations applicable to our services;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- issuance of new or updated research or reports by securities analysts;
- sales of our Class A common stock by us or our shareholders;
- · stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- · general economic and market conditions.

Furthermore, the stock markets in recent years have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of the equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We are currently the target of this type of litigation as described in "Legal Proceedings" below in Part 1, Item 3, and we may continue to be the target of this type of litigation in the future. Current or future securities litigation against us, including the pending matters described below, could result in substantial costs and divert management's attention from other business concerns, which could harm our business, results of operations or financial condition.

The Dual Class Structure of Our Common Stock as Contained in Our Charter Documents has the Effect of Concentrating Voting Control with Our Founders, and Limits Your Ability to Influence Corporate Matters.

Since Zillow's inception, our capital structure has had authorized Class A common stock and authorized Class B common stock. Our Class A common stock has one vote per share, and our Class B common stock has 10 votes per share. All shares of Class B common stock have been and are held by our founders, Richard Barton and Lloyd Frink. As of December 31, 2012, Mr. Barton's holdings and Mr. Frink's holdings represented approximately 41.9% and 32.0%, respectively, of the voting power of our outstanding capital stock.

Therefore, for the foreseeable future, Mr. Barton and Mr. Frink will have significant control over our management and affairs and will be able to control all matters requiring shareholder approval, including the election or removal (with or without cause) of directors and approval of any significant corporate transaction,

such as a merger or other sale of us or our assets. This concentrated control could delay, defer or prevent a change of control, merger, consolidation, takeover or other business combination involving us that you, as a shareholder, may otherwise support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the market price of our Class A common stock.

Future Sales of Our Class A Common Stock in the Public Market could Cause Our Stock Price to Decline.

Our Class A common stock began trading on The Nasdaq Global Market on July 20, 2011. We cannot predict the effect, if any, that market sales of shares or the availability of shares for sale will have on the prevailing trading price of our Class A common stock from time to time. There is currently no contractual restriction on our ability to issue additional shares, and all of our outstanding shares are generally freely tradable, except for shares held by our "affiliates" as defined in Rule 144 under the Securities Act, which may be sold in compliance with the volume restrictions of Rule 144. Sales of a substantial number of shares of our common stock could cause our stock price to fall.

If Securities or Industry Analysts do not Publish Research or Publish Inaccurate or Unfavorable Research About Our Business, Our Stock Price and Trading Volume Could Decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about our company. If few or no securities or industry analysts cover our company, the market price of our Class A common stock could be negatively impacted. If securities or industry analysts cover us and if one or more of such analysts downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of the analysts covering us fail to publish reports on us regularly, demand for our Class A common stock could decline, which could cause our stock price and trading volume to decline.

If We Issue Additional Equity Securities or Issue Convertible Debt to Raise Capital, it may have a Dilutive Effect on Shareholders' Investment.

If we raise additional capital through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution in their percentage ownership of us. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

Anti-Takeover Provisions in Our Charter Documents and Under Washington Law could Make an Acquisition of Us More Difficult, Limit Attempts by Shareholders to Replace or Remove Our Management and Affect the Market Price of Our Class A Common Stock.

Provisions in our articles of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated articles of incorporation or amended and restated bylaws include provisions, some of which will become effective only after the date, which we refer to as the threshold date, on which the Class B common stock controlled by our founders represents less than 7% of the aggregate number of shares of the outstanding Class A common stock and Class B common stock, that:

- set forth the dual class structure of our common stock, which concentrates voting control of matters submitted to a vote of our shareholders with the holders of our Class B common stock, which is held by our founders;
- authorize our board of directors to issue, without further action by our shareholders, up to 30,000,000 shares of undesignated preferred stock, subject, prior to the threshold date, to the approval rights of our holders of Class B common stock;

- establish that our board of directors will be divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;
- · prohibit cumulative voting in the election of directors;
- provide that, after the threshold date, our directors may be removed only for cause;
- provide that, after the threshold date, vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office or by the sole remaining director;
- · provide that only our board of directors may change the size of our board of directors;
- specify that special meetings of our shareholders can be called only by the chair of our board of directors, our board of directors, our chief executive officer, our president or, prior to the threshold date, holders of at least 25% of the combined voting power of our outstanding Class A common stock and Class B common stock;
- establish an advance notice procedure for shareholder proposals to be brought before a meeting of shareholders, including proposed nominations of persons for election to our board of directors;
- require the approval of our board of directors or the holders of two-thirds of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single group, to amend or repeal our bylaws; and
- require the approval of two-thirds of the outstanding voting power of our Class A common stock and Class B common stock, voting together as a single group, to amend certain provisions of our articles of incorporation.

Prior to the threshold date, our directors can be removed with or without cause by holders of our Class A common stock and Class B common stock, voting together as a single group, and vacancies on the board of directors may be filled by such shareholders, voting together as a single group. Given the dual class structure of our common stock, our founders, Richard Barton and Lloyd Frink, who hold our Class B common stock, will have the ability for the foreseeable future to control these shareholder actions. See the risk factor above titled "The Dual Class Structure of Our Common Stock as Contained in Our Charter Documents has the Effect of Concentrating Voting Control with Our Founders, and Limits Your Ability to Influence Corporate Matters."

The provisions described above, after the threshold date, may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing our management. In addition, because we are incorporated in the State of Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act, which prohibits certain business combinations between us and certain significant shareholders unless specified conditions are met. These provisions may also have the effect of delaying or preventing a change of control of our company, even if this change of control would benefit our shareholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

In March 2011, we entered into a lease effective through November 2022 for approximately 66,000 square feet of office space that has housed our principal offices in Seattle, Washington, since August 2011. This new office space replaced our approximately 46,000 square feet of office space in Seattle, Washington, under a lease that expires in February 2013. In June 2012, we entered into a lease amendment for our corporate headquarters in Seattle, Washington which increases the rentable area of the premises by 21,575 square feet. In April 2012, we

entered into an operating lease in Irvine, California for 20,025 square feet under which we are obligated to make escalating monthly lease payments which began in August 2012 and continue through July 2022. In November 2012, we entered into an operating lease in San Francisco, California for 18,353 square feet under which we are obligated to make escalating monthly lease payments which began in December 2012 and continue through November 2018. We lease additional office space in San Francisco, California, Chicago, Illinois, Lincoln, Nebraska, and New York, New York.

Item 3. Legal Proceedings

In March 2010, Smarter Agent, LLC ("Smarter Agent"), a provider of mobile real estate applications, filed a complaint against us and multiple other defendants for patent infringement in the U.S. District Court for the District of Delaware. The complaint alleges, among other things, that our mobile technology infringes three patents held by Smarter Agent purporting to cover: a "Global positioning-based real estate database access device and method," a "Position-based information access device and method of searching," and seeks an injunctive order against the alleged infringing activities and an award for damages. We have denied the allegations and asserted counterclaims seeking declarations that we are not infringing the patents and that the patents are invalid. In November 2010, the U.S. Patent and Trademark Office granted our petition for re-examination of the three patents-in-suit and its first office action found all claims invalid. In March 2011, the court stayed the litigation pending the completion of the re-examination proceedings. In addition, in October 2011, Smarter Agent filed a substantially similar complaint against Diverse Solutions, Inc. ("Diverse Solutions"), and other defendants, for patent infringement in the U.S. District Court for the District of Delaware. On October 31, 2011, we acquired substantially similar complaint against HotPads, Inc. ("HotPads"), and other defendants, for patent infringement in the U.S. District of Delaware. On December 14, 2012, we acquired HotPads, including the Smarter Agent complaint.

In September 2010, LendingTree, LLC, a provider of an online lending marketplace, filed a complaint against us, and other defendants, for patent infringement in the U.S. District Court for the Western District of North Carolina. The complaint alleges, among other things, that our website technology infringes two patents purporting to cover a "Method and computer network for coordinating a loan over the internet," and seeks an injunctive order against the alleged infringing activities and an award for damages. We have denied the allegations and asserted counterclaims seeking declarations that we are not infringing the patents are unenforceable and invalid.

In November 2012, a securities class action lawsuit was filed against us and certain of our executive officers in the U.S. District Court for the Western District of Washington at Seattle. The complaint purports to state claims for violations of federal securities laws on behalf of a class of those who purchased our common stock between February 15, 2012 and November 6, 2012. In general, the complaint alleges, among other things, that during the period between February 15, 2012 and November 6, 2012, we issued materially false and misleading statements regarding our business practices and financial results. We anticipate that a consolidated amended complaint will be filed in the second quarter of 2013. We intend to deny the allegations of any wrongdoing and vigorously defend the claims in the lawsuit.

In January 2013, a shareholder derivative lawsuit was filed against certain of our executive officers and directors seeking unspecified damages on behalf of Zillow. In general, the complaint alleges, among other things, that the defendants breached their fiduciary obligations owed to Zillow, and that as a result of the breach of such fiduciary duties, Zillow wasted corporate assets defending itself in the securities class action lawsuit described above, and that defendants were unjustly enriched by selling shares of our common stock on the basis of knowledge of adverse trends before such information was publicly disclosed. The defendants intend to deny the allegations of wrongdoing and vigorously defend the claims in the lawsuit.

Although the results of litigation cannot be predicted with certainty, we currently believe we have substantial and meritorious defenses to the outstanding claims and that the final outcome of the outstanding litigation matters will not have a material effect on our business, financial position, results of operations or cash flow.

From time to time, we are involved in litigation and claims that arise in the ordinary course of business and although we cannot be certain of the outcome of any such litigation or claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures

Not applicable.